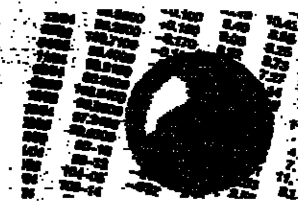

**Bubble trading**
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The Pope at twilight


# FINANCIAL TIMES

Europe's Business Newspaper — FRIDAY DECEMBER 23 1994 — D8523A


## Bundesbank sets tight target to curb inflation

The Bundesbank set a tight monetary target for next year and warned industry, trade unions and the federal and state governments against following policies that could push up inflation. Although Hans Tietmeyer (left), president of the German central bank, gave no hint of future interest policy, some economists said the money supply goal for 1995 could only be achieved if interest rates rose. Page 2; Lex, Page 16

**Dow Chemical takes German stake:** Dow Chemical of the US bought a majority stake in east Germany's lossmaking former state-owned chemical complex for an undisclosed sum, giving it a strategic position in Germany and eastern Europe. Page 17

**BAT's US takeover approved:** BAT Industries, the British tobacco and financial services group, won US government approval for its planned $1bn takeover of American Tobacco. Page 17

**Stanhope's shares suspended:** Shares in troubled UK developer Stanhope Properties were suspended after the breakdown of negotiations with banks owed £140m ($218m). Page 17

**UK has £846m payments surplus:** Britain's current account balance of payments moved into surplus for the first time in 7½ years in the third quarter. The Central Statistical Office confounded expectations of a modest deficit by announcing a seasonally adjusted surplus of £846m ($1.32bn). Page 16 and Lex

**Zeneca to buy US healthcare company:** UK bioscience company Zeneca is to pay up to $485m for Salick Healthcare, a Los Angeles-based operator of specialist cancer centres. Page 17

**Ukraine secures $500m loan:** The World Bank approved a $500m loan to support Ukraine's transition to a market economy. Page 2

**Japan lends China Y580bn:** Japan pledged Y580bn ($5.8bn) of soft government loans for China to help diminish the prosperity gap between poor central regions and fast industrialising coastal cities. Page 4

**Wheelock 13% ahead at halfway:** Wheelock and Company, Hong Kong holding company for the late Sir Y.K. Pao's listed corporate empire, reported interim profits up 13 per cent to HK$1.06bn (US$137m) because of exceptional property sales. Page 19

**Thyssen to expand telecoms arm:** German steel-based conglomerate Thyssen plans to spend up to DM4bn ($2.5bn) expanding its fledgling telecommunications operations. Page 17

**Rhône-Poulenc sells US medicine division:** Rhône-Poulenc Rorer, US-based drugs arm of French chemicals company, Rhône-Poulenc, is to sell its north American consumer medicines operations to Swiss rival Ciba in a deal worth up to $500m. Page 18

**Investment fall hits Japan's recovery:** Japan's weak economic recovery is being constrained by a continuing decline in corporate investment, prime minister Tomiichi Murayama warned. Page 4

**UK sells cheap milk to Ireland:** Milk Marque, British farmers' dairy co-operative, sold cut-price milk to Ireland after raising prices in England and Wales by as much as 20 per cent. Page 7

**Dublin to free IRA prisoners:** The Irish government approved the pre-Christmas release of nine IRA prisoners. Page 7

**Mercury cuts international call costs:** Mercury Communications, the UK's second largest public telecommunications operator, cut international call charges for its largest users in reaction to intensifying competition. Page 7

**Pergau aid may have to be repaid:** The UK government could be forced to return some £24m ($37.4m) already spent on Malaysia's Pergau dam to the Overseas Development Administration in spite of a recent statement that "the books for previous years are closed". Page 7

**North Korea returns US pilot's body:** North Korea returned the body of a US army pilot killed when his helicopter went down over its territory and indicated that it might release his surviving colleague by Christmas. Page 4

| ■ STOCK MARKET INDICES | | | ■ STERLING | | |
|---|---|---|---|---|---|
| FT-SE 100: | 3,091.7 | (+21.3) | New York lunchtime: | | |
| Yield | 4.17 | | $ | 1.5455 | |
| FT-SE Eurotrack 100 | 1,347.88 | (+7.99) | London: | | |
| FT-SE-A All-Share | 1,529.09 | (+0.9%) | $ | 1.545 | (1.5597) |
| Nikkei | 19,633.53 | (+282.90) | DM | 2.4417 | (2.4491) |
| New York lunchtime: | | | FFr | 8.4386 | (8.4603) |
| Dow Jones Ind Ave | 3,812.57 | (+10.77) | SFr | 2.0594 | (2.0681) |
| S&P Composite | 460.22 | (+0.61) | Y | 155.26 | (156.23) |
| | | | £ Index | 79.8 | (80.2) |

| ■ US LUNCHTIME RATES | | ■ DOLLAR | | |
|---|---|---|---|---|
| Federal Funds: | 5¾% | New York lunchtime: | | |
| 3-mo Treas Bills: Yld | 5.561% | DM | 1.57785 | |
| Long Bond | 95 | FFr | 5.45485 | |
| Yield | 7.862% | SFr | 1.333 | |
| ■ LONDON MONEY | | Y | 100.35 | |
| 3-mo Interbank | 6⅞% (6⅞%) | London: | | |
| Liffe long gilt future: | Mar 102¼ (Mar 102⅞) | DM | 1.5805 | (1.5703) |
| ■ NORTH SEA OIL (Argus) | | FFr | 5.462 | (5.4245) |
| Brent 15-day (Feb) | $15.94½ (15.93) | SFr | 1.333 | (1.326) |
| ■ GOLD | | Y | 100.495 | (100.17) |
| New York Comex (Feb) | $382.9 (383.4) | $ Index | 63.7 | (63.4) |
| London | $381.6 (382.2) | Tokyo close Y 100.51 | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Austria | Sch32 | Greece | Dr350 | Malta | Lm0.60 | Qatar | QR13.00 |
| Bahrain | Din1.250 | Hong Kong | HK$18 | Morocco | MDh15 | S.Arabia | SR11 |
| Belgium | BFr65 | Hungary | Ft185 | Morocco | MDh15 | Singapore | S$4.30 |
| Bulgaria | Lw60.00 | Iceland | IKr215 | Neth | Fl 4.25 | Slovak Rp | KSL50 |
| Cyprus | C£1.10 | India | Rs60 | Nigeria | Naira60 | S. Africa | R12.00 |
| Czech Rp | CZK50 | Israel | Shk6.90 | Norway | NKr17.00 | Spain | Pta225 |
| Denmark | DKr16 | Italy | L3000 | Oman | OR1.50 | Sweden | SKr16 |
| Egypt | E£5.00 | Japan | Y500 | Pakistan | Rs40 | Switz | SFr3.30 |
| Estonia | EKr 20 | Jordan | JD1.50 | Philippines | Pso50 | Syria | S£50.00 |
| Finland | FM14 | Kuwait | Fils625 | Poland | Zl 38,000 | Tunisia | Din1.500 |
| France | FFr9.50 | Lebanon | US$1.50 | Portugal (inland) | | Turkey | L30000 |
| Germany | DM3.60 | Lux | LFr65 | | Es225 | UAE | Dh12.00 |

# Italy searches for new government

## Berlusconi calls for early election after resigning as premier

By Robert Graham in Rome

Mr Silvio Berlusconi, the Italian prime minister, resigned yesterday, leaving President Oscar Luigi Scalfaro with the delicate choice of finding a new government or dissolving parliament.

Mr Berlusconi, in office for 226 days at the head of a rightwing coalition, is pressing for early elections to vindicate his views and obtain a fresh mandate. But the president has made it clear he will explore all options and that he opposes the dissolution of parliament so soon after the March 1994 general election.

A solution has been complicated both by the increasingly polarised political atmosphere and by divisions within the populist Northern League, a coalition partner, over the decision by Mr Umberto Bossi, its leader, to bring a no confidence motion against the government.

"This has lifted a great weight from me," Mr Berlusconi said after his resignation. "It is better to go ahead with early elections even with an old electoral law in order to resolve this urgent situation."

Financial markets showed some relief that the lingering fate of the government had been decided. But the Bank of Italy's latest monthly figures on foreign exchange reserves reflected the impact of the sustained pressure on the lira, with losses of more than L11,000bn ($6.66bn) since July.


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"The government's resignation unfortunately confirms the prospect of a long and difficult transition towards a new politico-institutional alignment," observed Mr Luigi Abete, the head of Confindustria, the industrialists' confederation.

The Northern League proposed the no confidence motion over the weekend together with the centrist Popular party. The former communist Party of the Left (PDS) put forward a second no-confidence motion, and a third came from Reconstituted Communism, the hardline core of the old Italian Communist party.

Mr Berlusconi resigned before the end of the no confidence debate, in part to avoid, the provisions of the league motion. One clause of this would have barred him from future office because of the conflict of interest resulting from his ownership of the Fininvest business empire.

The end of Italy's 52nd postwar government came when the media magnate turned politician informed President Scalfaro of his decision shortly after midday at the Quirinale Palace. Throughout his eight-month government, Mr Berlusconi has been at odds with the head of state and their hostile relationship will influence the outcome of this crisis.

The president is expected to do his best to avoid asking Mr Berlusconi to either head a new government or be in charge of anything other than the shortest of caretaker administrations. He regards the outgoing prime minister as in good measure responsible for his own downfall. Mr Scalfaro is concerned about the unresolved questions of conflict of interest and Mr Berlusconi's investigation by Milan anti-corruption magistrates.

Yesterday, the Milan judiciary sentenced Mr Berlusconi's younger brother, Paolo, to seven months in prison for corruption.

Mr Scalfaro will begin preliminary soundings with two former Italians presidents today, but the core discussions with political leaders will be held next week, after a brief Christmas break. He could ask Mr Carlo Scognamiglio, the speaker of the senate, to explore the possibility of "techno-political" government, one of technicians and non-politicians. This would leave him free to ask the speaker to form a government or chose someone else.

# Purge rumoured as Grozny battle rages on

By John Lloyd in Moscow

Evidence of upheavals within the Russian government emerged yesterday as reports of purges and resignations of top military commanders were denied by the defence ministry and fierce fighting continued around the Chechen capital of Grozny.

President Boris Yeltsin announced that he would shortly present a solution to the Chechen crisis "based mainly on using political methods". The Russian military, meanwhile, appeared to be switching towards a greater reliance on bombing raids on selected targets in the city.

Correspondents remaining in the city reported at least 20 people killed yesterday as bombs and rockets hit blocks of flats and, in one case, a crowd clearing away the debris of a previous bomb.

A report that six generals had been dismissed – including the entire top leadership of the north Caucasus army group and Colonel General Georgy Kondratyev, the deputy defence minister, for "indecision and inaction" – was carried by the RIA-Novosti, the state-owned press service.

Citing "an informed source", the report said General Pavel Grachev, the defence minister, was taking personal command of the operation. The report was later denied by the ministry of defence.

Separately, Mr Sergei Yushenkov, the chairman of the Duma (lower house) defence committee, announced to reporters that General Eduard Vorobyev, deputy commander of Russian land forces, had resigned because he had disagreed with the conduct of the war. Unofficial sources said Gen Vorobyev had been asked to take over command of the Chechnya operation, and chosen to step down instead.

The same sources last night said the likely explanation to the flurry of announcements and denials was that the generals' letters of resignation had not been officially registered or accepted, thus allowing the defence ministry to deny the resignations. No independent confirmation was available last night.

Curiously, the resignation announcements did not include that of General Ivan Babichev, the divisional commander in Chechnya who has refused to move his division closer to Grozny.

Mr Yeltsin wrote a letter to the Duma, suggesting that he would seek a political solution to the Chechen crisis in the form of an appeal to Russian citizens. Several influential figures, including Mr Sergei Kovalev, his representative on human rights, urged Mr Yeltsin to hold out the possibility of negotiations once more in an attempt to stop the conflict.


Power behind Yeltsin's throne, Page 2
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## Cunard chief set to face protest on QE2

**Cunard chief executive John Olsen, speaking at a press conference in New York, where he acknowledged there had been difficulties on board the Queen Elizabeth 2 after a recent £30m ($45m) refit. Asked to comment on reports of exploding toilets on the vessel, he said the biggest single issue had involved the plumbing.**

**He was later due to board the vessel to avert a threatened sit-in by 150 passengers.**

Report, Page 16

# Floating of peso fails to halt Mexican crisis

By Ted Bardacke in Mexico City and Stephen Fidler in London

The financial crisis facing Mexico's new government intensified yesterday as the peso fell sharply for the second successive day.

Big outflows of funds from the country on Wednesday forced the government to float the peso, abandoning a long-held policy in which the currency was kept within a specified target zone. The government, which said it would return to targeting the currency when the market had stabilised, also announced a 60-day wage and price freeze.

It activated a $6bn credit line with the US established last March, when a political crisis threatened to undermine the currency's stability. An additional $1bn is available from Canada.

The crisis calls into question the direction of economic and political policy under President Ernesto Zedillo who took office on December 1, and has left foreign and domestic investors questioning his government's credibility.

At midday, the peso stood at 4.9 to the dollar in thin trading, a devaluation of almost 40 per cent since the beginning of the year. The peso closed on Monday at 3.45 and on Tuesday at just below 4.00.

Mexico's stock market had risen from its lows by midday – though it was still sharply down in dollar terms – and the impact of the crisis spilled over into other Latin American markets. The Brazilian stock market closed 6.1 per cent down, while the Argentine market was off 4.5 per cent at mid-session.

Finance ministry officials said the moves were precipitated by a drastic fall in international reserves, which made it impossible for the central bank to continue to defend the peso and keep it within the trading band. The band had been lowered by 15 per cent on Tuesday, but this was not enough to relieve pressure on the currency.

Mr Jaime Serra Puche, the


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- Zedillo's leadership put in question
- Latin America faces difficult year ahead

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# Deal on fisheries row averts threat to EU expansion

By David Gardner in Brussels and Kevin Brown in London

The European Union last night settled its long-festering fisheries row over Spain's access to the waters around Ireland, ending the threat of Madrid vetoing the entry of Austria, Finland and Sweden into the EU in January.

The German presidency of the EU took the unusual step of putting the dispute to a vote, producing 11 member states in favour and an abstention by Britain.

The dispute, which dates from Spanish accession in 1986, could have led to a full-blown European crisis had it blocked expansion of the Union next month.

Despite its isolation, the UK was satisfied with the result. British obstruction tactics limited inroads by Spain's fishing fleet.

Mr William Waldegrave, Britain's agriculture and fisheries minister, said: "We have kept the Spanish out of the Irish Sea and the Bristol Channel," which he described as taking "two-thirds of the pot" while playing poker with a poor hand.

Spain's fleet appears to have won less access to the waters west of the UK and Ireland than it was legally guaranteed in its accession treaty or than it was promised during entry negotiations for new EU members.

But Spanish officials said they were satisfied with the compromise. Madrid had made the entry of new EU members conditional on Spain's being given equal treatment under the Union's Common Fisheries Policy, which was not scheduled to come into operation until 2002.

However, Article 158b of Spain's accession treaty gave rights for 70 Spanish fishing vessels to fish inside the so-called Irish Box – the waters surrounding Ireland – by the end of next year.

Under last night's compromise, only 40 Spanish vessels gain access to the Irish Box, and two of the three areas at dispute with the British will be off-limits.

Spain's trawlers will, however, be able to fish in the so-called Celtic Sea – the area between south-east Ireland and south-west England known to Spain's northern fleet as the "Gran Sol" – which was always Spain's main objective.

"Mission accomplished," said Mr Luis Atienza, Spain's agriculture and fisheries minister, at the end of the talks. His officials pointed out that Spain had never

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# Bundesbank sets tight monetary policy

By Andrew Fisher in Frankfurt

The Bundesbank yesterday set a tight monetary target for next year and warned industry, trade unions and the federal and state governments against following policies that could push up inflation.

Mr Hans Tietmeyer, president of the German central bank, gave no hint of future interest policy, but some economists said the money-supply goal for 1995 could only be achieved if interest rates rose. "The Bundesbank will be forced to act," said Mr Adolf Rosenstock, Frankfurt-based economist at Industrial Bank of Japan.

The bank set its target range for M3, the broad monetary aggregate, at between 4 and 6 per cent. This is unchanged from 1994, but because of the way the rate is calculated – on an annualised basis from fourth quarter to fourth quarter – it implies a much lower average growth rate of 3.5 per cent after this year's 9 per cent.

Thus, said Salomon Brothers, the US investment bank: "The Bundesbank likely will have to tighten interest rate policy markedly in the course of the year." It said monetary tightening would be appropriate because of expected higher wage rises, rising import prices and price pressures at the producer level. Official figures yesterday showed a rise of 0.4 per cent in west German producer prices in November over October.

The Bundesbank said its monetary policies in 1995 would be aimed at dampening price growth further and creating monetary conditions for lasting economic growth. It reaffirmed its commitment to M3 as its main policy yardstick, despite the extreme growth rates experienced earlier this year.

To encourage funds to move out of short-term deposits (included in M3) into longer-term investments, the Bundesbank cut interest rates earlier this year. Sine May, the discount and Lombard rates have been unchanged at 4.5 and 6 per cent respectively.

With an annualised growth rate in M3 of 6 per cent in November, the Bundesbank's money-supply target is now being met. However, the trend has been helped by the introduction of money-market funds into Germany. If these were included in M3, the November rate would have been 6.9 per cent.

The Bundesbank will improve its monitoring of monetary trends by including these funds into "expanded M3", which also includes traditional M3 (cash, short- and medium-term deposits and savings) and deposits in foreign branches of German banks.

The M3 target range allows for potential economic growth of 2.75 per cent and inflation of 2 per cent – the Bundesbank's medium-term goal – with 1 per cent to allow for a slowdown in the velocity of money in circulation. Mr Tietmeyer said money supply was more than adequate after this year's strong increase.

He said the bank's anti-inflationary stance needed government support in reining back spending, and from wage negotiators in reaching moderate settlements. He warned companies contemplating high price rises that "the monetary conditions will not be created for this". Although the Bundesbank's inflation goal was 2 per cent, he said he would like to see the rate lower.

See Lex

# Ukraine secures $500m loan

By Matthew Kaminski in Kiev

The World Bank yesterday approved a $500m loan to support the transition to a market economy in Ukraine.

The aid, for essential imports, came after the former Soviet republic committed itself to free more prices, revive mass privatisation, and reform the ailing agriculture and energy sectors.

The bank's decision follows the International Monetary Fund's endorsement of President Leonid Kuchma's economic reform efforts with a $371m loan in October.

Talks on a $1.5bn stand-by loan continue next month, with disbursement possible as early as February, Ukrainian and aid officials said.

While the quick disbursements reflect an effort to help Mr Kuchma overcome Ukraine's economic crisis, aid officials remain concerned about implementation.

Under the IMF deal, Ukraine agreed to pay for energy imports but the failure to cover Turkmen gas imports this quarter sparked a row within the government. The energy minister last week was sacked by Mr Kuchma, who promised to pay Turkmenistan, but even then, the funds slated for imports were diverted.

Under the bank loan, the largest amount of western assistance so far, Ukraine committed itself to sell 8,000 medium and large enterprises and 90 per cent of small enterprises. A voucher scheme will be used at pilot auctions, scheduled for February 1, which allows Ukraine to get around parliament's moratorium on cash privatisation.

These steps face resistance from Ukraine's conservative ministries and parliament. To gain more control over the reform process Mr Kuchma proposed centralising authority with the president. The law was debated in parliament yesterday. Mr Kuchma told deputies: "Without radical political changes, radical economic reforms are impossible. If the parliament cannot agree to this, I will have to ask the people directly, through a referendum."

# Palace guard is power behind Yeltsin's throne

By John Lloyd in Moscow

General Alexander Korzhakov is the most powerful secret policeman in the world.

Head of President Boris Yeltsin's personal guard, he has been revealed – by the leaking in yesterday's FT of a letter he wrote to Mr Victor Chernomyrdin, the Russian prime minister, instructing him to review agreements he had made with the World Bank – as an official who acts on his own authority in the core decisions on the Russian economy. For a man who was until the early 1990s a middle ranking officer in the KGB, this is a remarkable rise.

It is also a disturbing one.

General Korzhakov's influence stems from his closeness to the president and from his command of a guard which has swollen to a force of several thousand, comprising elite detachments trained in anti-terrorist warfare and intelligence operations. All major states have such forces but they are generally distanced from ministerial decisions, are under some form of legislative oversight and are increasingly obliged to present an account of their activities to the public. General Korzhakov answers to President Yeltsin alone.

If his actions are masked, his influence is an open matter. He has for the past year featured among the top 20 most influential figures in Russia, published monthly in the daily Nezavisimaya Gazeta. President Yeltsin himself named him in his recent memoirs as his closest and most trusted aide, and as a friend.

He earned that trust. Assigned to Mr Yeltsin as his KGB guard when the latter joined the politbureau in 1987, Lieutenant Colonel Korzhakov stayed with Mr Yeltsin in his wilderness years after 1988, when he was ejected from the politbureau and left the Communist party.

He suffered too. He was fired from the KGB's ninth department (the politbureau guards), being promoted to colonel only when Mr Yeltsin became head of the Russian Supreme Soviet. After the latter was elected president of Russia, he was promoted again, to major general.

General Korzhakov's presidential security service was then part of the main guard department, the force commanded by Lieutenant General Mikhail Barsukov. According to the Kommersant daily, which researched the force a year ago, it already comprised the presidential guard, a motorised rifle brigade, the former KGB ninth department, part of the KGB's fifth department which had specialised in spying on dissidents, elements of the KGB's technical operations department and the elite anti-terrorist forces named Alpha and Vympel.

General Alexander Korzhakov receiving a medal from Yeltsin last year Reuter

In his only (uninformative) interview, given to Nezavimiaya Gazeta on November 16 this year, General Korzhakov revealed that the presidential guard had for the past year not been under the control of General Barsukov's main guard department.

"In November 1993," he said, "its status was raised – the service left the main guard department and received greater independence in dealing with day to day issues which did not contradict the existing legislation, in accordance with the will of the president". General Korzhakov did not refer to a decree or law conferring this independence on his department.

Asked by the interviewer what his basic function was, he said the most important part of it was acquiring information on any threat to the security of the president. "We invest this part of our work with the greatest importance, and we certainly pay particular attention to any information touching on the spheres of our interests."

General Korzhakov is coming more and more into the limelight – a position he will not like. It is rumoured he made the decision Mr Yeltsin should not be woken to meet Mr Albert Reynolds, the then Irish prime minister, at Shannon airport in September.

Earlier this month, members of his service arrested and beat up the head of the personal guard of Mr Vladimir Gusinsky, chairman of the Most finance group, outside the group's headquarters in central Moscow. The reason they gave was Mr Gusinsky's guard was armed, and travelling on the route taken by the president. The insiders' explanation was it was designed to frighten Mr Gusinsky, and through him his close ally, Mr Yuri Luzhkov, the powerful mayor of Moscow, seen as a competitor to Mr Yeltsin.

These palace intrigues reflect an administration with no strong centre, but with secretive barons acting in the name of the titular head. Mr Yeltsin, only just out of a clinic, is thought to work relatively few hours a day. In his absence, the running of the office falls on those who enjoy his greatest trust. General Korzhakov is chief among them.

# Political interference in Hungarian privatisations angers foreign investors

By Virginia Marsh in Budapest

For foreign investors who hoped Hungary's new Socialist-led government would carry out its election pledge to speed up and clean up privatisation, the sale of HungarHotels, the last state hotel chain, has not been an auspicious start.

First came political pressure to ignore an international tender and hand over the hotels chain to the cash-strapped social security fund. Then there were poorly-handled negotiations in which the top bidder was abruptly asked to raise its price by 15 per cent at the last moment after already outbidding its nearest rival by more than 20 per cent. Just when a deal was finally struck last week, the prime minister called an investigation into the sale. The investigation team is due to report by today.

The controversial sale comes just as Hungary, the pioneer of market-led reforms in eastern Europe, is preparing to privatise several of its largest companies, including most of its energy sector.

One banker said: "This deal has been deeply disturbing. It makes me think we're in for a bumpy road with this government in the future. If they can't sell a hotel chain, will they part with their gas and electricity companies?"

A much-publicised bill which will radically alter privatisation strategy and merge the State Property Agency (SPA) and the State Holding Company (SHC), the two main privatisation bodies, was due to be discussed by parliament this autumn. It is now unlikely to be passed before March. The uncertainty this has created has demoralised and weakened both institutions. Several key members of staff have left for more lucrative jobs in the private sector. Others, such as Mr Lajos Csepi, former head of the SHC, have been sacked. Advisers say quality has suffered and some of the privatisations under way are being poorly prepared.

The privatisation of Gyortej, a dairy in Gyor in north-western Hungary, in which foreign investors lost out to local bidders backed by the ministry of agriculture, shows the pitfalls that await foreign bidders.

After a competitive tender, the dairy was awarded to a consortium of the investment arm of Budapest City Council and 27 farming co-operatives from Fejer County. The decision was made against the advice of case officers in the agriculture ministry and the SPA and after the consortium was allowed to raise its price at the last moment without the foreign investors being offered the same option.

The losing bidder for the dairy was Konzum, a listed Hungarian company owned by foreign institutional investors. Its bid also included the dairy's management and milk producers from the Gyor region.

The two groups prepared their bids just as the new government was drawing up its privatisation strategy. This emphasised cash sales to strategic partners would be preferred over other forms of privatisation. It also pledged to provide more investment opportunities for holders of compensation coupons (CCs) which were issued to victims of the former communist regime. The coupons, which trade on the secondary market for less than half their official value, can be used in privatisations for the full nominal value.

'We're in for a bumpy road with this government. If they can't sell a hotel chain, will they part with their gas and electricity companies?'

Konzum says senior SPA and ministry of agriculture officials told it a strong element of cash, as well as a good business plan and the inclusion of the management in its bid would help it win the tender. Therefore rather than offering a bid totally in CCs, it bid 38 per cent in cash and the rest in coupons. It also offered an immediate cash injection of Ft300m ($2.7m) for the dairy which is heavily indebted. The business plan was evaluated by the SPA at 11 out of 15.

The winning consortium offered just CCs and a future Ft180m share offering which was less than the Ft200m capital increase stipulated in the tender documents. Its business plan scored 1 out of 15.

This consortium won because, with CCs taken at nominal value, its bid for the 51 per cent stake was Ft655m. Konzum's bid was Ft527m. However, if Konzum had used its cash portion to buy CCs its offer would have been worth Ft756m. This led the case officer in the agriculture ministry to conclude the two offers "cannot be compared realistically". Given the many other factors in Konzum's favour, the case officer recommended it be awarded the dairy.

This recommendation was overruled at a higher level in the ministry. Moreover, in the two days before a final decision was taken, the consortium was unilaterally allowed to raise its price to Ft755m even though this is against SPA internal rules. Konzum says it was not given the chance to alter its bid or raise its price.

In explaining the move, Mr Erno Racz, an SPA deputy managing director, said the decision was taken for "very important political reasons". The government had to honour its pledge to allow CC holders to use the coupons at full value for good assets and the consortium had offered more in CC terms. Original holders of CCs should be preferred over the "financial speculators" who bought them up on the secondary market.

He said a capital increase via a share offering was preferable to Konzum's cash injection as a "foreign investor could take its cash out of the company whenever it wanted".

Further, he said the privatisation authorities were under pressure to find local buyers for companies in the food industry and in Gyor county which borders Austria. He said Austrian companies, which have invested heavily in the region, had a "dangerous influence" in the county.

"There have been questions in parliament demanding how we could let the whole food industry fall into the hands of foreigners," he said. "What was more important – to allow Hungarian co-operatives to win the tender or to get some millions of forints and generate a political storm in Hungary?"

This last statement has led Konzum, which has spent more than $160,000 in advisers' fees on its bid, to ask why the tender was open to foreign investors. Mr Albert von Pappenheim, chairman, said: "We expected more from the new government. We have not been treated fairly or legally. Why on earth should we invest more money in this country?"

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell and Alan C. Miller. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN: ISSN 0174-7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.
FRANCE: Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.
DENMARK: Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 Copenhagen-K. Telephone 33 13 44 41, Fax 33 93 53 35.

EUROPEAN NEWS DIGEST

## Bosnia near to ceasefire deal

Bosnia's Moslem-led government appeared to be close to a comprehensive ceasefire with the Bosnian Serbs yesterday, despite a mortar attack that killed two men in Sarajevo. Mr Yasushi Akashi, the top UN official in former Yugoslavia, said the two sides were "pretty close to the final agreement" on the text of the ceasefire, brokered this week by Mr Jimmy Carter, the former US president.

The two sides have set a January 1 deadline to hammer out the details of the agreement. The mortar shell exploded near the main open market in Sarajevo, where 68 people were killed by a mortar in February in the worst single atrocity of the 32-month war.

The mortar appeared to have been fired from a Serb-held area. UN spokesman, Mr Michael Williams said it appeared to have come from the Grbavica area of the city "which is basically in Serb hands". *Laura Silber, Belgrade*

## EU completes pact on borders

After years of delay caused by worries about crime and waves of refugees, border controls within Europe will be eliminated next March 26 – at least in seven of the 12 members of the European Union. The accord "is a historic step on the way to full freedom of movement in all Europe and means an increase in security for our citizens", Mr Bernd Schmidbauer, the German minister responsible for European affairs, said yesterday in Bonn. Ministers from the participating countries met in Bonn to complete the accord, which means that inner-European border controls, which already have partly disappeared, will fall away completely. It applies from the Mediterranean to the North Sea. The participants are Portugal, Spain, France, Germany, Luxembourg, Belgium and the Netherlands. Italy and Greece have said they will join when they overcome technical problems. The only EU members not in the pact are Britain, Ireland and Denmark. Austria, one of three countries joining the EU in 1995, is expected to accept the elimination of border controls with EU countries, but the others, Sweden and Finland, will not. With the open-borders deal comes a computer network giving the participants access to one another's police and immigration files so that car thieves, for instance, willo not be the main beneficiaries of the lack of border controls. *AP, Berlin*

## Schäuble reveals split in France

Mr Wolfgang Schäuble, leader of Germany's Christian Democrats in the Bundestag, said yesterday he was in a "close consensus" on European Union reform with France's centre-right Union for French Democracy (UDF), but was still "not in harmony" with the Gaullist RPR party, which considered German conservatives' reform plans too supranational. Mr Schäuble told a press conference that he had carefully avoided the words "federation" or "confederation" in his talks with French politicians, who had initially reacted badly to the Schäuble-Lamers plan earlier this autumn which described the European Commission as an embryo European government. Nonetheless, the leader of the Bundestag conservatives insisted that the EU had certain "qualities of a state", and said that Bonn's desire for an important role for the Strasbourg parliament and the Brussels Commission would be "among the hardest issues" in its relations with Paris. Mr Schäuble's remarks yesterday underlined the degree to which European policy will divide the UDF and RPR in the French presidential election. *David Buchan, Paris*

## Turkish reform party emerges

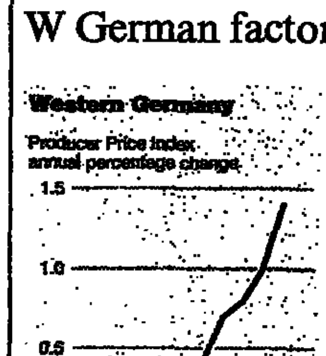
A 38-year-old liberal Turkish millionaire yesterday launched a new political party promising many of the reforms Turkey's international critics are demanding. Mr Cem Boyner, heir to a textile fortune, promised that if elected, his New Democracy Movement (YDH) would dismantle the government's stifling political and economic control apparatus. He also said he would open talks to end 10 years of fighting with the Kurds in south-east Turkey. Although a political novice, Mr Boyner is well known as a former head of the TUSIAD business association and last week ranked third in an opinion poll, with 14 per cent support. Elections are not due until 1996, but Prime Minister Tansu Çiller's weak government could collapse well before then. *John Barham, Ankara*

## Ariane launches resume soon

Arianespace, makers of western Europe's Ariane rocket, said yesterday that flights would resume in February 1995 after the December 1 failure of an Ariane rocket which crashed into the Atlantic Ocean. Mr Charles Bigot, Arianespace chairman, told a news conference: "We hope to limit the delay in our programmes to two months ... to resume launches before the end of February." *Reuter, Evry, France*

ECONOMIC WATCH

## W German factory prices up 1.4%




Source: Datastream

West German producer prices rose 0.4 per cent in November from October and were up 1.4 per cent compared with November 1993, the federal statistics office reported. The November figures are higher than the consensus forecast of a 0.1 per cent gain in the month and a 1.1 per cent year-on-year rate predicted in a survey of analysts.

■ The year-on-year rise in French housing starts quickened in the three months to the end of November compared to the year-on-year rise in the quarter to end-October, according to figures from the Housing Ministry. Housing starts from September to November were up 14.2 per cent on the same period a year earlier, at 76,300 homes. The August to October period's rise had been 13.4 per cent, or 69,400 homes.

■ Norway's unemployment rate rose to 4.6 per cent in December compared with 4.4 per cent in November and 5.3 per cent for the same month last year, according to the Labour Directorate.

■ Gross domestic product in the Czech Republic was up 2.1 per cent in the first nine months of 1994 compared to the first nine months of 1993, in constant prices.

# US upset as Canada acts on culture

By Bernard Simon in Toronto

The US and Canada are at odds over Ottawa's efforts to protect Canadian magazines, television services and cultural institutions. The Canadian government was expected yesterday to impose an 80 per cent excise tax on advertising revenues from magazines which are compiled in the US but beamed electronically to Canadian printing plants.

The move would be specifically directed against Time Warner, the US entertainment and publishing group which took advantage of a loophole in Canadian trade laws last year to combine Canadian advertising and US editorial content in a low-cost local edition of Sports Illustrated. Other US magazines, which dominate Canadian news stands, have been closely watching the Sports Illustrated experiment.

US trade officials say Canada's most recent moves on cultural protectionism represent "a disturbing trend". Mr Mickey Kantor, US Trade Representative, is expected to announce he will work closely with the US industry on all options, including retaliation.

Ottawa secured an exemption for the cultural sector from the 1989 US-Canada free trade agreement. But the US may retaliate against any new protective measures to an equivalent commercial value.

Washington is also angered by a Canadian regulatory ruling earlier this year to withdraw a licence granted to Country Music Television, a US cable-TV channel, partly owned by Westinghouse Electric. Cable operators are due to replace the US channel with a Canadian country music service on January 1.

Although they voraciously tune into US television stations and read US publications, Canadians are highly sensitive to any perceived threat to their cultural institutions. "The Americans simply see it as a product and entertainment," Ms Catherine Keachie, director of the Canadian Magazine Publishers Association said yesterday. "Canadians are quite clear that we have to have our own books, films and magazines to maintain a unique culture."

# Row over Treuhand's flagship railway sale

## East Germans say rolling stock group is being sold too cheaply, says Judy Dempsey

The collapse of Russian and east European markets continues to haunt Deutsche Waggonbau (DWA), the giant manufacturer of railway rolling stock and one of the last industrial complexes under Germany's Treuhand privatisation agency.

Once flagship of the former communist East Germany, the enterprise built 29,000 wagons for the Russian market after 1948. "We were entirely dependent on exports to Russia," says Mr Peter Witt, DWA chairman.

Over nearly 40 years, DWA expanded rapidly. By 1989, turnover had exceeded DM2bn ($1.27bn) and the future of the 24,500 workers seemed secure. But the union of the two Germanys in 1990, followed by the collapse of Comecon, the socialist trading organisation, entirely changed the circumstances of the enterprise.

"Gradually the orders to Russia dried up," says Mr Hans-Joachim Ratsch, deputy head of the workers' council at DWA's plant at Ammendorf in Saxony-Anhalt. "Russia has no money to pay for its orders. We have to find new markets. But time is running out." The Ammendorf plant reduced its work force from 4,700 before 1990 to 1,800 today. A further 800 jobs will be lost over the next few years.

In an attempt to save DWA, one of the few remaining manufacturing outlets in eastern Germany, the Treuhand and the finance ministry allocated substantial aid to the company. Since 1991, DWA has received credits amounting to DM4bn to help find new markets. A further DM250m was earmarked for investments, and last September an additional DM500m was allocated to provide liquidity. In the meantime, the total workforce has been reduced to 6,600, which DWA officials admit is still too large.

DWA-built rolling stock pictured in Berlin Tony Andrews

The collapse of the Russian and east European markets and exposure to competition has seriously affected DWA's turnover. Sales this year will amount to about DM800m and losses will rise to DM43m. Turnover is expected to slip to DM500m during 1995, unless there is any positive shift in the Russian market.

But the collapse of the eastern markets, coupled with overcapacity in the railway manufacturing industry, has in turn also made it difficult for the Treuhand to find a buyer for DWA.

For political and social reasons, the Treuhand could not afford to close down DWA completely. Nor could it split it up into separate entities and sell each one off. Instead the Treuhand opted for privatising it as a whole. Mr Witt denies this policy delayed the sale of DWA.

"DWA could not exist as a name or as a company if it was split up and sold off in separate parts," says Mr Witt, adding that this was exactly what several west German companies wanted. "The big western companies were afraid of DWA becoming competitive."

But now, after 38 companies have looked at but shied away from the sheer size of DWA, the Treuhand is confident it has found a a buyer. Advent International, the US-based venture capital investment group, is drawing up a contract with the Treuhand to buy five of the remaining eight subsidiaries of DWA.

According to DWA and Treuhand officials, Advent will buy 100 per cent of DWA, will take Siemens, Germany's largest electronic and electrical company, as its technological partner, and will eventually list DWA on the stock exchange, possibly by 2005. Advent is not prepared to comment until the contract is signed and sealed.

But the purchase price – and the number of workers Advent intends to retain – have caused a political row in eastern Germany. DWA officials confirmed this week that Advent will pay, over time, DM112.8m for DWA, will guarantee 2,400 jobs, and invest DM250m.

"We have not given away DWA to Advent," says Mr Witt. "This is no present. We have found a buyer which will allow us to pursue our strategy of finding markets, introducing new products and become competitive." Mr Witt also insists that Advent will pursue "a hands-off" management style and will not interfere in the company.

Consultants involved in the negotiations between DWA and the Treuhand contest this view. "Advent is answerable to its investors, it manages those funds on behalf of its institutional investors, who in turn will expect a return on their investment," the consultant says. "Moreover, Advent is a hands-on investment group. If the management of DWA thinks otherwise, it is mistaken."

Despite the differences in expectations of management style, Mr Witt remains confident that DWA can be turned around by Advent. He says DWA, against strong competition, has won orders from Berlin to build carriages for the city's train system, and is co-operating with Siemens, AEG and other companies. But he also knows that any big improvement in turnover, and attempts to save more than 2,400 jobs, will depend on receiving large orders from Russia. On that point, few at DWA, or the Treuhand, are hopeful.

"If we want to survive and prosper, we have no other choice but to become competitive in the European markets. I think it can be done. But I know we have to rationalise even further," says Mr Witt.

# Japanese ready for US pension demands

By Emiko Terazono in Tokyo

Japan's financial authorities are preparing to meet US demands that Tokyo opens the management of its state pension fund. The authorities are putting together a proposal to present to the financial service negotiations between the two countries which will be held in Seattle next week.

The US government has long been lobbying for the Japanese government to allow investment advisory companies to enter the country's Y20,000bn ($200bn) public pension fund market, currently limited to life assurers and trust banks. The issue has been a centrepiece in the financial service negotiations which form part of continuing US-Japan framework talks on bilateral trade.

In 1990, investment advisory companies were allowed into the private pension fund market but foreign managers have failed to make a significant breakthrough because of business practices based on long-term relationships.

The Ministry of Health and Welfare, which governs the state pension fund system, has also been calling for deregulation in order to diversify fund investments. However, it has come up against the Ministry of Finance which regards itself as the bastion of prudent investments for state funds and which has opposed deregulation, citing the possible increase in stock investments regarded as high-risk.

The Japanese government is keen to reach an early settlement of the financial service talks before Prime Minister Tomiichi Murayama's visit to the US scheduled for early January. "An earlier settlement is highly desirable, although we are not promising to conclude the talks within this year," Mr Masayoshi Takemura, finance minister, said yesterday.

Details of the finance ministry's proposal are expected to be revealed early next week. Local papers have reported that finance ministry officials intend to allow investment advisory firms into the market by setting up an "investment union" with a trust bank.

# EU clears trade round

European Union ministers yesterday formally cleared the Uruguay Round trade accord for ratification, rubber stamping a decision taken earlier this week, writes Emma Tucker in Brussels.

The move allows the EU to send the necessary papers to Geneva on December 30, meeting an end-of-year deadline allowing Gatt's successor, the World Trade Organisation, to be set-up on January 1, 1995. Commission officials are confident all member states will have completed ratification in national parliaments by December 30. One said that by this weekend only Portugal, Spain and Greece would still have to complete the domestic approval process. The package includes tariff cuts on industrial and farm goods by an average of over 35 per cent.

Contracts and Ventures

# Kazakh gas field deal in sight

An agreement between Kazakhstan, Russia and a western consortium to develop the giant Karachaganak natural gas field in Kazakhhstan could be signed as early as the middle of next month, according to officials close to the negotiations.

Talks in Almaty between British Gas, its Italian partner Agip and the Kazakh government are reported to have made progress in recent weeks. But detailed negotiations due over the next few weeks between the western companies and Gazprom, the Russian state gas monopoly, must be concluded before a final agreement can be signed.

Kazakh officials had hoped that the talks would have been concluded by last week, but a number of issues remain to be resolved. The next round of negotiations are likely to focus on the terms of Gazprom's participation in the project and arrangements for the transport of Kazakh gas and liquid condensate, a naturally occurring gasoline, across Russian territory. British Gas and Agip have had the exclusive right to negotiate a contract to develop Karachaganak since 1992. Original plans did not include direct Russian participation. But in recent months it has become apparent that Russia wants equity participation in all main energy projects planned in the former Soviet republics.

Gazprom discovered and partially developed Karachaganak during the Soviet era. The field contains proven reserves of 1,300bn cubic metres of natural gas, 650m tonnes of condensate and 200m tonnes of oil. *Robert Corzine, London*

■ Toyota Motor Corp will set up a China project division on January 1, 1995, with an initial staff of 20. Toyota is working to set up a technical centre in Tianjin, Hebei province, in January 1995 to promote product development and transfer of technology to Chinese car makers. *Reuter, Tokyo*

■ The international cellular infrastructure division of Motorola has won a $12m contract to expand and upgrade analogue cellular systems in Heilongjiang Province. *Reuter, Arlington Heights*

■ Bombardier, the Canadian aerospace and transit equipment group, will build 95 commuter rail cars for New Jersey Transit under a C$153m ($110m) contract, with the work carried out in Quebec and Vermont. *Robert Gibbens, Montreal*

■ AEG, the electronics division of Daimler-Benz and electronics group Siemens have won an order worth DM350m for 120 urban rail cars from China. *Reuter, Berlin*

■ The US petrochemical company Du Pont Conoco plans to build up to 150 western-standard petrol stations in Poland at the cost of about $300m within six years. *Reuter, Warsaw*

# Tokyo to lend China Y580bn

By William Dawkins in Tokyo

Japan yesterday pledged Y580bn (£3.7bn) of soft government loans for China and sent a visiting Chinese delegation home with a lecture against nuclear testing.

The cash, to be disbursed over the three fiscal years starting in April 1996, is to help China reduce the prosperity gap between poor central regions and fast industrialising coastal cities.

It is far less than the Y700bn the Chinese government was asking for in the two days of negotiations which ended yesterday. But it represents an increase, per year, over official aid under Japan's current five-year Y810bn programme for China, ending in April 1996. China wanted another five-year package this time, rather than a three-year one.

The Japanese government cited the fall in its budget revenues as the reason for being unable to comply. Yet this reflects a growing body of opinion in Tokyo for fresh loans to China to be conditional on clearer information about its military spending and an end to nuclear testing. Two Chinese underground nuclear tests over the past year have alarmed Tokyo.

Mr Hiroshi Hirabayashi, director-general of the Foreign Ministry's economic co-operation (aid) bureau, reminded Chinese officials that the aid rules oblige Japan to take account of recipient countries' military trends. More nuclear tests could "negatively affect" Japanese public support for loans to China, he warned.

The Chinese delegation understood Japan's sensitivities but said it opposed making aid subject to political conditions. Loans for the following two years will be decided in another set of negotiations. The latest loans are repayable over 30 years, with a 10-year grace-period and an annual 2.6 per cent interest rate.

The loan package, the fourth since Japan reopened diplomatic relations with China in 1972, is to fund 40 projects, stipulated in the aid agreement signed yesterday.

They include measures against air pollution, a problem that affects Japan in the form of acid rain from Chinese coal-fired power stations. Improvements to Chinese water supplies and rural infrastructure are also stipulated.

This environmental slant marks a change from Japan's previous aid policy for China, which focused on improving industrial infrastructure such as ports and dams – a job now largely completed in the rich southern coastal areas.

# Investment fall hits recovery

**Japan's economic recovery is being constrained by a continuing decline in corporate investment, Mr Tomiichi Murayama, the prime minister, warned yesterday, writes William Dawkins.**

**The economy was out of the tunnel, thanks to a pick-up on corporate profits, personal consumption and housing investment. Yet structural problems remained.**

**Mr Murayama's analysis was borne out by the latest batch of economic statistics yesterday, showing recovery overshadowed by a further, though decelerating, fall in corporate capital spending.**

**Investment in plant and equipment fell an annualised 9.5 per cent in the three months to September, making a record 11 consecutive quarters of decline, the Finance Ministry's latest survey of 24,000 companies shows.**

**Officials think the capital investment fall may be bottoming out, from a much steeper 16.8 per cent decline in the previous quarter. In previous recoveries, capital investment has recovered strongly.**

**One reason for mild optimism is the recovery in pre-tax profits uncovered by the survey. They rose 28.9 per cent in the three months to September, from a year earlier, the first such rise in four years. This compared with a 0.2 per cent drop in the previous quarter.**

**Japan's Economic Planning Agency said its monthly index of business conditions continued upwards.**

**The EPA's coincident index, a basket of indicators measuring business conditions, stood at 70 in October, up from 60 in the previous month. It is the third month the index has stood above 50, the divide between growth and decline, and clear evidence the economy is recovering, the EPA said.**

**The leading index, a pointer to conditions six months ahead, fell from 58.3 in September to 50 in October, breaking a nine-month period when it had hovered above the dividing line.**

# N Korea returns body of US pilot

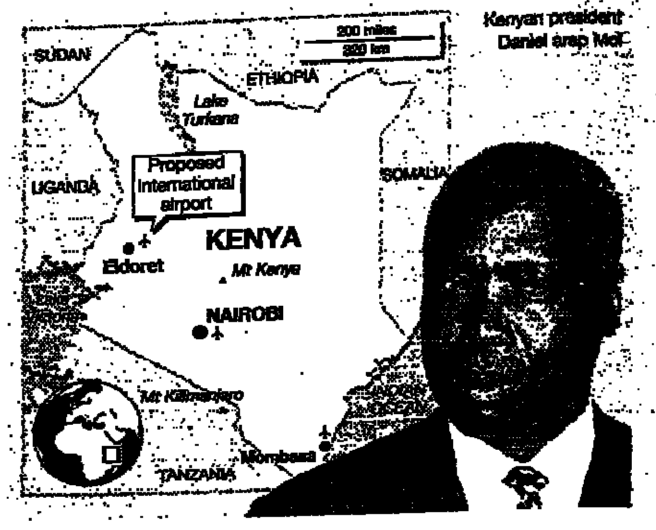
**North Korea yesterday returned the body of a US army pilot killed when his helicopter went down over its territory at the weekend and indicated that it might release his surviving colleague by Christmas, writes John Burton, Seoul Correspondent.**

**The delay in the return of the crew has been caused by North Korean suspicions regarding the US claim that the helicopter strayed accidentally into its air space, according to a US congressman who conducted "intensive, heated and hectic" negotiations on the issue during five days in Pyongyang.**

**"They were worried about conspiracy theories and acceleration of tension. But I think it's been proven to them that it was an accident," said Mr Bill Richardson, a Democratic representative from New Mexico. The US has been pressing North Korea to release the crew quickly to avoid jeopardising the recent accord to dismantle the North's nuclear programme in exchange for diplomatic ties with Washington.**

# International airport for Moi's home town

## Project draws criticism over priorities, writes Leslie Crawford



Kenyan president Daniel arap Moi

Kenyan president Daniel arap Moi's home town - Eldoret, population 112,000 - is to get an international airport, built by a Canadian company at a cost of KS3.7bn ($84m).

Eldoret, a sleepy market town surrounded by maize fields in the Rift Valley, already boasts a university (named after Mr Moi). Its international airport will be the third largest in Kenya, after Nairobi and Mombasa.

SNC-Lavalin-Group of Montreal says it expects to begin work on the two-year project on January 5. "The work includes construction of a 3.5km runway suitable for aircraft such as the Airbus A-310, a 2,400 sq m terminal and a 33 metre-high control tower," the company says.

"SNC-Lavalin will also construct ancillary buildings and a freight warehouse with a refrigerated section."

Eldoret does not figure on Kenya's tourist circuit, nor is it well known as a hub of economic activity.

But the town has been blessed with good communications and some of the best roads in the country, because it lies at the heart of Kalenjin country, President Moi's tribal homeland.

News of Eldoret's new airport has caused an outcry in Kenya. Its cost is equal to about half the health ministry's annual budget, and some Kenyans question the government's spending priorities at a time of fiscal austerity demanded by the World Bank and International Monetary Fund.

"The airport does not make a shred of economic sense," Mr Robert Shaw, a private Kenyan economist and critic of the government, said yesterday.

He believes the money would be better spent on improving Mombasa's primitive airport, which handles tens of thousands of tourists each year, or on rebuilding the Mombasa-Nairobi highway, the country's most important economic artery. Traffic on the road ground to a halt this week after heavy rains washed out an entire section of the route.

Ms Christine Wong, of the Canadian High Commission, said yesterday the project would not be funded with Canadian aid.

"The contract was negotiated between a private Canadian company and the Kenyan government. The Canadian government was not involved," she added.

INTERNATIONAL NEWS DIGEST

## Three Indian ministers quit

Three scandal-tainted Indian ministers resigned last night, clearing the way for Mr PV Narasimha Rao, the prime minister, to try to improve the ruling Congress (I) party's corruption-tarnished image. Mr B Shankaranand, the health minister, and Mr Romeshwar Thakur, the rural development minister, stepped down following intense criticism of their roles in the 1992 Rs40bn (£816m) Bombay securities market scandal. Mr Kalpanath Rai, the food minister, resigned after he was condemned in a government report into the handling of a massive sugar shortage earlier this year.

Their resignations come after two weeks of persistent attacks from Congress MPs, who were prompted into action by the party's serious defeat in recent state elections in which corruption allegations cost the party many votes. MPs put pressure on Mr Rao to act quickly because the party faces another round of state polls in February and a general election which is due to be held by mid-1996. But the three ministers held out, saying they had done nothing wrong. Arguments about their fate dominated politics in New Delhi for the last fortnight and provoked furious rows in parliament between government and opposition leaders. Mr Rao hopes the resignations will help stop in-fighting in Congress and encourage ruling party MPs to unite in advance of the next round of polls. *Stefan Wagstyl, New Delhi*

## S Korea boosts investment

South Korea yesterday announced measures to encourage stock investments as part of the government's programme to cut the dependence of companies on bank loans as their main source of finance. The government wants companies to increase the raising of capital on financial markets to weaken family ownership of the country's leading conglomerates and ease the financial burden on the banking system, which is suffering from many non-performing loans. All listed companies, excluding financial firms, will be allowed to raise won300bn (£242m) in new share issues annually, up from won200bn, beginning January 3, the first trading day in 1995. Any listed company will be allowed to raise paid-in capital by up to 50 per cent if it posted a net profit in the previous financial year, instead of the more rigorous requirement of achieving at least a 5 per cent return on paid-in capital. Financial requirements for companies wishing to go public have also been relaxed. *John Burton, Seoul Correspondent*

## Two Palestinians killed

Two Palestinians died yesterday and two were wounded in a spate of incidents in Jericho, Gaza and the occupied West Bank which threw a shadow over continuing attempts to advance the Israeli-Palestinian peace process. In Jericho, now under Palestinian rule, gunmen shot dead Ibrahim Yogi, a 27-year-old member of the armed wing of the Islamic Hamas organisation after running him over with a car bearing Israeli licence plates. Hamas blamed Israeli undercover agents and called a general strike but Israeli officials denied involvement. Any such operation, they said, would have been a blatant undermining of Palestinian authority. In Gaza, an Israeli naval patrol shot and wounded two Palestinian boatmen fishing outside the permitted area, which stretches 20 miles off the coast of the autonomous enclave. Under the peace accord, Israel maintains narrow security zones opposite the Egyptian and Israeli borders at either end of the strip. A military spokesman explained: "If boatmen do not obey orders to leave the zone, we have to assume they are either smuggling arms or planning to attack Israeli targets." In Hebron on the West Bank, Eid Abdel-Mohsem al-Saghair, 19, died in when a bomb he was carrying blew up in his hands, said the Israeli army. *Eric Silver, Jerusalem*

## Burma military detention move

Burma's military dictatorship seems likely to keep Ms Aung San Suu Kyi, the Nobel Peace Prize winner and leader of the Burmese democracy movement, under house arrest for several more years, it was revealed yesterday. There has been speculation that Ms Aung San Suu Kyi, whose family home has been her prison for nearly six-and-a-half years, would be released on January 20 when her current detention order was thought to expire. However the Burmese foreign minister, U Ohn Gyaw, in a written reply to Mr Yozo Yokata, the special rapporteur of the UN Commission on Human Rights in Burma, explained that a "central body" composed of the interior, foreign and defence ministers can detain anyone for up to five years. This creates a new legal justification within Burma for the detention, and reinforces a longstanding view in the diplomatic community that the military will only release the popular daughter of the country's independence hero Aung San when it feels they can cope with her potent political appeal. Hopes for her release had been lifted after she met the powerful intelligence chief, Lt Gen Khin Nyunt, and other leaders of the State Law and Order Restoration Council (SLORC) twice, in September and October. *William Barnes, Bangkok*



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Three Indian
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# Zedillo's programme in question after three weeks

## Ted Bardacke on Mexico's problems with the floating peso

Popocatepetl, the snow-capped volcano overlooking Mexico City, was suddenly on the brink of eruption yesterday, spewing smoke and ash over surrounding towns and villages. But the country's economic stability and rock-solid monetary policy, and confidence among foreign investors, were also threatening to go up in flames.

Just three weeks into President Ernesto Zedillo's term, serious questions have been raised about the direction the new administration is taking the economy and the country.

Floating the exchange rate and freezing prices for at least 60 days could have a largely negative short-term impact on many companies and individuals and extend uncertainty into the areas of political reform and social policy.

The financial crisis casts a retrospective pall over the six-year term of office of President Carlos Salinas and his finance minister, Mr Pedro Aspe. Both had pursued an exchange rate policy that outlived their administration by less than three weeks.

The devaluation was a surprise because most people had not realised how far foreign exchange reserves had fallen over the previous few months.

Despite this, the most immediate problem is one of confidence in the new economic team. "Investors just don't know what direction the government is going to take," said Mr Sergio Sarmiento, an economic commentator. "Even when we had more serious problems at the beginning of the year, the markets stayed relatively tranquil because people knew what was going on. Now they don't."

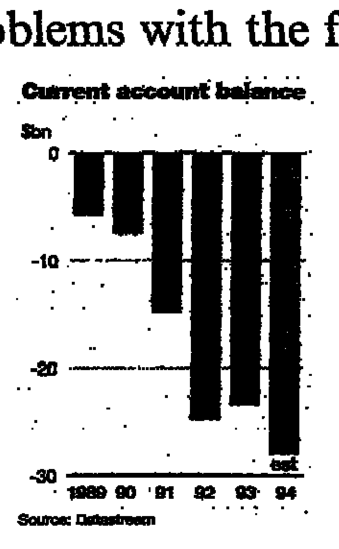
"This is a big test for Zedillo," said Professor John Bailey, director of Latin American Studies at Georgetown University in Washington. "He needs to show leadership... and send a clear message about what steps are being taken."

Finance Ministry officials admit that Tuesday's announcement of a 15 per cent devaluation was not handled well.

"It's going to take a while for us to restore confidence. But just wait a couple of weeks until the irrational pressure leaves the market and people will come around and see that the fundamentals of the our economy are still quite sound," said a senior official.

But two weeks is a long time in an unfolding financial crisis, and the government runs the risk that by the time it regains control of the situation investor confidence could be seriously damaged.

**Current account balance**




Source: Datastream

Analysts are predicting that despite the price freeze, prices could jump 3 per cent in January as a result of the devaluation, and inflation for 1995 settle at around 18 per cent.

Under this scenario, interest rates will stay high and economic growth could fall to as low as 1.5 per cent, well under the government's projection of 4 per cent for the year. To maintain a balanced federal budget with reduced tax revenues and increased debt-service payments, social spending and government investment – stated priorities of the new administration – would have to be cut, undermining Mr Zedillo's domestic political credibility.

"We haven't reached complete meltdown, but most of the conditions for our worst-case scenario exist," said one foreign broker.

The impact on the country's financial system and its most important companies will be enormous. At yesterday's exchange rate, the peso will have fallen by more than 40 per cent on the year, significantly increasing the debt load of those companies with dollar loans.

The already overextended banking system, itself with significant levels of dollar debt, will be stretched even further. In addition to this, the government's bank insurance fund is undercapitalised after two important payouts in the past six months.

The recently authorised foreign banks are unlikely to be much help in this area. "We were going to be very active in exchange rate coverage, derivatives and the like. Now it's virtually impossible to price those things, so our operations are basically on hold. The last thing we are going to do is risk money or lend dollars in this kind of market," said one foreign banker.

Zedillo: may need to use the old levers of authoritarian control

AP

With the threat of economic instability looming, the administration faces a decision about how to proceed on political reform, which was supposed to be the government's main priority for 1995. Mr Zedillo committed himself during his election campaign to reform of the judicial system and easing the ruling Institutional Revolutionary party's grip on the country's levers of power.

Mr Zedillo could follow the lead of his predecessor Mr Salinas and argue that a political opening is unwise while economic stability must be procured.

"That would be a mistake," said Prof Bailey. "Salinas had to deal with structural problems. Zedillo has to deal with psychological questions about his leadership ability. Political reform and solving the Chiapas problem will give people a good signal that he is moving forward. This time economic and political questions go together."

The continuing political crisis in the southern state of Chiapas, scene of an uneasy military stand-off since an armed peasant rebellion in January, is another thorn in the new government's side.

Yet in order to keep inflation in check and maintain control over unions and wages, Mr Zedillo will almost certainly need to use some of the old, albeit slightly rusty, levers of authoritarian control.Giving up those mechanisms, while tempting, may prove too risky.

# Latin America faces difficult year ahead

**By Stephen Fidler, Latin America Editor**

Just as prospects for a breakthrough in growth were beginning to emerge in many parts of Latin America, the financial crisis in Mexico has called into question the sustainability of even the modest growth seen over the past few years.

Growth in the region through the 1980s was impeded by an inability to run current account deficits because of a lack of access to foreign finance, following the debt crisis which struck Mexico in 1982.

The question for 1995 is whether an investors' strike following the heavy losses suffered as a result of the Mexican devaluation, and the losses which Latin American bond markets suffered after the US began increasing interest rates in February, will once more isolate the region from private finance. To the extent that it does, growth will be hindered and recession may threaten some economies.

Private economists had begun to scale up their forecasts for growth next year. Average forecasts for Latin America for 1995, compiled by the London-based Consensus Economics consultancy, suggested growth would exceed 4 per cent next year compared with 3.8 per cent this. In the fashion of the Grand Old Duke of York, economists will be marching their forecasts back down again.

Many economists say that on a fundamental basis Mexico's problems should not spill over elsewhere in the region. "This is more like the European exchange rate crisis of 1992 than the Mexican and Chilean crises of the early 1980s," said Mr Sebastian Edwards, chief Latin American economist at the World Bank in Washington.

He said fiscal policy in Mexico was under control, unlike in 1982, and the productivity gains that have occurred in the past few years have provided a basis – even at the old exchange rate – for expanding exports.

The Mexican panic will nevertheless cut deep. Investors who hold Mexican assets have lost billions of dollars in a couple of days, as big currency losses have compounded market downturns.

Devaluation will also hammer many Mexican companies and, perhaps more worryingly, banks – some of which already have weak loan portfolios – because of their large unhedged exposure in dollars.

They will have to recognise these losses in their 1994 income statements – losses that will grow with the size of the devaluation. At 5 pesos to the dollar Mr Edwards said –the rate at which the Mexican currency opened in very thin trading yesterday in Mexico City – many Mexicans would now be buying their local currency and it would recover.

The improvement in economic management in Mexico, however, has done little to address the Achilles heel of its programme: low savings. That weakness, which entails dependence on foreign capital to spur investment and growth, is reflected elsewhere in Latin America.

The main comparison being made yesterday by investors was with Argentina. The government there also has been using the exchange rate as an anchor in the battle against inflation, and a possible currency overvaluation, and is running a current account deficit.

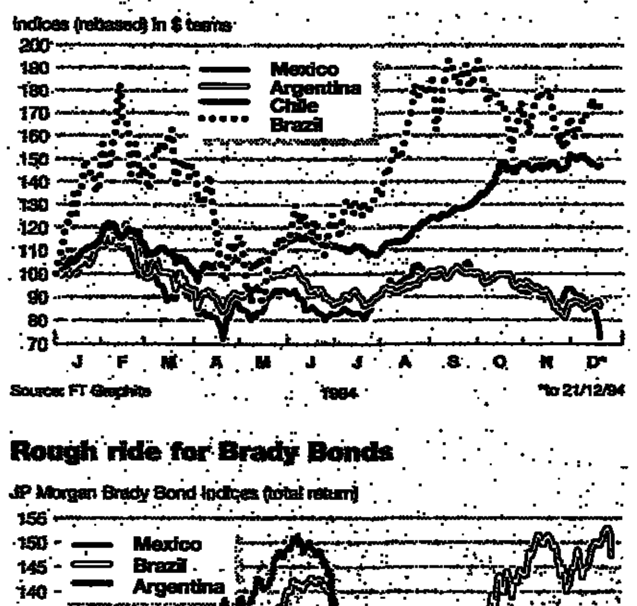
However, Argentina's problem appears much less acute than Mexico's. The current account deficit is smaller (around 4 per cent of GDP, half that of Mexico), the currency is fixed against the dollar under a currency board arrangement by law – arguably a more credible arrangement than Mexico's – and Argentine inflation is less than 4 per cent.

The extent of any overvaluation will have been mitigated this year. Unlike Mexico, which conducts around three-quarters of its trade with the US, Argentina's trading relationships are more balanced and the dollar is a much less important component of its trading basket.

The dollar and therefore the peso has depreciated against European currencies this year and Europe accounts for around a quarter of its trade. Two other important Argentine trading partners – Brazil and Chile – have also revalued their currencies significantly in the past six months.

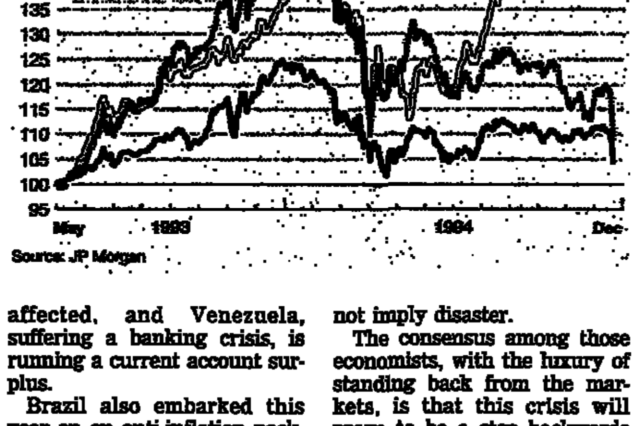
According to Mr Edwards, the other important Latin American economies should be relatively well insulated from the shock. Chile is the one Latin economy that – partly thanks to a successful pension fund reform – has boosted savings and does not depend on capital inflows. Colombia and Peru should not be hugely affected, and Venezuela, suffering a banking crisis, is running a current account surplus.

**The region's main stock markets**




Source: FT Graphite

**Rough ride for Brady Bonds**




Source: JP Morgan

Brazil also embarked this year on an anti-inflation package that has, as an important element, a currency anchor against the dollar. But it has $43bn in reserves and was running a trade surplus until November. Reduced access to foreign capital may hinder the country's anti-inflation plan and slow growth but should not imply disaster.

The consensus among those economists, with the luxury of standing back from the markets, is that this crisis will prove to be a step backwards but not a fatal blow for Mexico in the uneven process of developing a competitive economy. Nonetheless, the markets are volatile and some investors spooked. If they do not recover their peace of mind, 1995 could be a difficult year for Latin America.

# Mexico's annus horribilis

**January 1:** Mexico accedes to North American Free Trade Agreement. Armed "Zapatista" rebels seize six towns in southern state of Chiapas. More than 150 killed in heavy fighting over next few days.

**January 12:** President Carlos Salinas orders unilateral ceasefire in Chiapas following cabinet reshuffle and ousting of hardline interior minister Patrocinio Gonzalez.

**February 20:** Government says 1993 economic growth reached only 0.4 per cent – the lowest rate for seven years.

**March 2:** Government and Chiapas rebels announce preliminary peace accord. Rebels eventually reject government peace proposals.

**March 14:** Leading Financier Alfredo Harp Helu seized by armed men, latest in rising tide of kidnappings of businessmen.

**March 23:** Ruling Institutional Revolutionary party (PRI) presidential candidate Luis Donaldo Colosio shot dead at Tijuana campaign rally.

**April 26:** US, Canada and Mexico agree to set up $8.8bn swap arrangement to help cushion sharp fluctuations in foreign exchange markets.

**May 15:** Attorney General Diego Valades quits abruptly amid mounting concern over law-and-order issues.

**June 17:** Manuel Camacho Solis resigns as government peace commissioner in Chiapas and launches bitter attacks on PRI's new replacement presidential candidate Ernesto Zedillo.

**August 7:** About 6,000 members of radical and leftist groups join Zapatista-organised "convention on democracy" in Lacandon jungle, which dominates national headlines.

**August 21:** Zedillo wins presidential election and PRI maintains comfortable majorities in Congress. Opposition calls for protests meet limited response.

**September 28:** PRI secretary general José Francisco Ruiz Massieu, in line for a senior cabinet post, shot dead while leaving party meeting.

**November 23:** Mario Ruiz Massieu resigns as deputy attorney general after alleging a top-level cover-up over the murder of his brother José.

**December 1:** Zedillo sworn in as president after naming a cabinet dominated by reformers.

**December 8:** PRI candidate sworn in as Chiapas governor despite opposition allegations of poll fraud. Zapatistas threaten to renew attacks.

**December 19:** Zapatistas claim to have breached military cordon and occupied 38 municipalities in Chiapas. Government troops appear to re-establish control with show of force.

**December 20:** Peso devalued 15 per cent.

**December 22:** Peso starts trading sharply down after government announces the currency is to float; wages and prices are frozen.

AMERICAN NEWS DIGEST

# US to relax drug rules

Pharmaceutical companies will no longer have to conduct human clinical trials to prove that a proposed product could become a useful drug, the US Patent and Trademark Office announced yesterday. Mr Bruce Lehman, commissioner of patents and trademarks, said new guidelines for reviewing biotechnology patent applications change the yardstick by which patent examiners will determine if a drug could be useful.

Mr Lehman said examiners had required that drugs undergo extensive human clinical trials before the patent could be granted. Now, he said, a drug company applicant can use "any kind of evidence" to prove the usefulness, or utility, of the invention.

The new guidelines would go into effect immediately, he said, but the agency would accept public comment on the issue until February 24 and a "finishing gloss" would be put on the guidelines in March. Officials of the Biotechnology Industry Organisation, an industry trade group, said the new requirements would make it easier for small companies to protect drug inventions by requiring that the product usefulness be proven only in test tube or animal tests. The new rules will have no effect on Food and Drug Administration requirements that all drugs be extensively tested in human clinical trials before they are approved for marketing and general therapeutic use. *AP, Arlington*

## NY subway bomber motive

New York's police chief said yesterday that extortion might be the motive behind an explosion on a city subway train that wounded 45 people and threw lower Manhattan into chaos. Police Commissioner William Bratton said the man arrested for causing the explosion, Edward Leary, might have been planning extortion. He declined to give further details but said the extortion might have been aimed at the Transit Authority, which operates the subway system. The firebomb exploded on Wednesday on a crowded subway train in the financial district. *Reuter, New York*

## US third-quarter results revised

Strong inventory-building helped the US economy to grow a little more strongly during the third quarter than previously thought, the Commerce Department said yesterday. Gross domestic product expanded at a 4 per cent annual rate in the quarter rather than the 3.9 per cent estimated a month ago, the government said in a final revision of the quarterly GDP figure. It was the second upward revision in third-quarter GDP. Originally it was reported to be growing at a 3.4 per cent annual rate.

"The general picture of economic activity is little changed from last month: consumer, investment and government spending more than accounted for the increase in real GDP, with one half of the increase attributable to consumer spending," the department said. Businesses built up inventories during the third quarter at an annual rate of $57.1bn, even stronger than the estimate a month ago of $56.1bn. *Reuter, Washington*

## Fujimori divorce proceedings

Peru's deposed First Lady Susana Higuchi says she has begun divorce and annulment proceedings to end her 20-year marriage with President Alberto Fujimori. "I've begun the procedure. I have the lawyer and he is attending to the papers," she said during a visit on Wednesday to a school in Lima.

Ms Higuchi, a civil engineer, has been estranged from the president since August, when she publicly protested at a law which banned her from running for public office. She has accused Mr Fujimori, who is standing for a second term in next April's elections, of allowing corruption to spread in his government although she has produced little proof. Mr Fujimori responded by stripping her of her official duties. She now says she intends to run for Congress. *Reuter, Lima*

## Oil spill in Mississippi River

A barge carrying crude oil hit an underwater object in the Mississippi River, ripping a hole in one tank and spilling up to 21,000 gallons of crude into the water. The oil spread about 6 miles downriver and reached shore at various points as far as Meraux to Braithwaite, about 10 miles south of New Orleans. Clean-up crews worked to contain the spill about a half mile downriver of the ferry landing not far from the New Orleans-Chalmette city limits. The Coast Guard closed the busy stretch of river to all marine traffic. *AP, Chalmette*

## White House shooting man dies

A knife-wielding homeless man shot by police in front of the White House yesterday died after undergoing two lengthy operations. Marcelino Corniel, 33, was shot by a US Park Police officer on Tuesday after he ran across Pennsylvania Avenue to the White House pavement with a hunting knife taped to his arm. White House press secretary Dee Dee Myers said the administration was saddened by the death.

President Bill Clinton, who was working in the Oval Office at the time of the incident, was never in danger. Officials defended the shooting as a justified use of force because the man did not follow orders to give up his weapon. Witnesses said Corniel was menacing police. But video footage showed him standing almost motionless facing four officers when one of them fired twice, hitting him in the torso and leg. *AP, Washington*

# Equity and debt markets suffer

**By Richard Lapper and John Pitt in London and Patrick Harverson in New York**

The devaluation of the Mexican peso yesterday triggered further sell-offs in the local equity and debt markets, with prices of Mexican Brady bonds falling to their lowest levels for more than three years. And with investors' confidence in other emerging markets damaged, the sell-off extended to affect other Latin American and even east European debt paper.

Mr Alexis Rodzianko, managing director of emerging markets at Chemical Bank in New York and president of the Emerging Markets Traders Association, said the action was a "big blow", following earlier losses this year for the Brady bond market, made up of bonds issued in exchange for distressed commercial debt. Trading volume, which tripled in 1993 and up by an estimated 50 per cent this year, could decline, said Mr Rodzianko.

Mexico was regarded as a benchmark by emerging market investors, he said. "Mexico is the flagship. It has just hoisted the white flag and turned tail," he said. "This is a serious football injury. The patient is in traction."

Mexican Bradies were sold heavily on Tuesday and Wednesday, but the government's decision to float the peso on Wednesday evening prompted frantic sales efforts from managers.

"Clients were out of their beds at 3.30am New York time and were selling pretty much everything. We have been deluged with calls," said one trader in London. "For us it was one of the five busiest days of the year. Prices are moving not by eights and quarters but by halfs and whole points," he said.

The widely traded par bonds fell by 2¾ cents in early trading in London to 56 cents. Although they recovered later in the day the cumulative fall since the end of last week amounts to more than 10 per cent.

US institutions which have become big investors in emerging markets – and especially in Mexico – are estimated to have lost up to 20 per cent of their holdings in the country this week. Whereas sales of Bradies earlier this year – following the increase in short-term US interest rates in February – were lead by US traders, analysts said institutions have been responsible for the decline this time.

Argentine, Brazilian, Venezuelan, Polish and Russian bonds were also badly hit.

Mr Rodzianko said there was evidence that mutual funds were making sales to meet redemptions from investors. Ms Ingrid Iversen, senior economist with Morgan Grenfell Emerging Markets in London, said the fall in prices had been exacerbated because some highly leveraged investors had to unwind positions in order to meet margin calls.

- Brady Bonds down more than 10 per cent in the week
- Mexican stocks down 1 per cent after early rally fades
- Brazilian shares down nearly 11 per cent at mid-session
- Argentina's Merval index off 4.5 per cent

Mr Dwight Churchill, head of taxable fixed-income funds at Fidelity Investments, the largest US mutual fund group, said: "The market is relatively thin, but it is trading." Although there were no signs of outright panic among investors, he said there had been selling across the board.

Mr Churchill said Fidelity was reassessing its investment strategy in the wake of the peso's devaluation.

"We are clearly re-evaluating the Mexican situation, and we are disappointed that a stable peso is not a centre-post of policy at this point. We will give the Mexican government the opportunity to provide an explanation of its current strategy, and will use that as a foundation to decide whether or not to change our strategy."

Latin American equity markets were also hit. In Mexico the market opened firmer, but initial gains were soon lost as foreign investors began to liquidate positions. By mid-morning the IPC index, which had risen more than 4 per cent at the opening, was down 22.37 or 1 per cent, at 2,181.30. But within the next hour the market had staged a recovery, and was showing a gain of 2 per cent.

Elsewhere in the region the picture was more negative, Brazil's Bovespa index was down nearly 11 per cent by mid-session, while the Merval index in Argentina was off 4.5 per cent.

Ms Susanne Carrington, Latin American fund manager at Fleming Investment Management in London, which has some $1bn in the region, said that the present crisis had mainly come about as the result of political inexperience and had delivered a serious blow to the new administration's credibility.

"Many foreign investors had come round to the view of Mexico's economic miracle, and that the country was politically stable," she said. "But at a stroke that perception has been destroyed, and once more Mexico is seen as a typical emerging market."

In the bond markets traders say that with prices at current levels Brady bonds represent good value but that psychological factors were influencing sentiment. Although buying by Wall Street traders provided some support for prices, Mr Rodzianko says they have limited capacity to hold bonds.

"The market will hurt for a while," he predicted.

"Early yesterday people felt things had fallen far enough. When New York opened it was just in one direction. Logically it is all now incredibly cheap. But there is no logic in this," said Ms Iversen.



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# Guinness trial result to be reviewed

By Robert Peston, William Lewis and Jimmy Burns

The Home Office has asked the Appeal Court to review the convictions of the four original Guinness trial defendants because of allegations that material evidence was withheld from the defence.

The appeal will consider whether to quash the convictions against former Guinness chief executive Mr Ernest Saunders, the property tycoon Mr Gerald Ronson, the former stockbroker Mr Tony Parnes and Mr Jack Lyons, the financier.

Mr Saunders, Mr Ronson and Mr Parnes were all jailed. Mr Lyons, a friend of former prime minister Baroness Thatcher, was spared going to jail because of ill-health, but was stripped of his knighthood. The appeal, expected to be heard in the next six weeks, relates to a claim that the Serious Fraud Office withheld material evidence from the four defendants in the case, which ran from Feburary 1990 to August 1990.

Mr Keith Oliver, a solicitor acting for Mr Parnes, said that the alleged evidence showed that share support operations, of the kind practised in the Guinness case, were common City practice in the 1980s.

It is alleged that this evidence was in the hands of the Serious Fraud Office, which prosecuted the case, before the trial began.

This alleged evidence relates to at least six other cases of indemnified share support operations – where payments are made to individuals or institutions for buying shares – being used at about the same time as Guinness's £2.6bn takeover bid for Distillers in January 1986.

Details of other such operations were given to the Department of Trade and Industry by directors of TWH/NV, a licensed share-dealing firm, during a separate investigation and then passed to the SFO.

Part of the evidence was disclosed during a case held by a City of London tribunal – which TWH/NV won – in December 1988 on whether TWH/NV should be allowed to keep its licence to deal in securities. But this evidence was not made available to the defence during the original Guinness trial.

A Home Office official said: "Representations were made to the secretary of state that evidence had come to light of documents which were not disclosed either at trial or at appeal."

The Serious Fraud Office said it would strongly contest the appeal: "What has come to light is not new evidence. It is unused material which was not regarded as relevant at the time (of the trial of the original defendants," an official said.

The future of the Serious Fraud Office, set up in the late 1980s to handle cases of complex financial crime, is under review by the government because a number of its prosecutions have collapsed in embarrassing circumstances. The Guinness convictions were always held up by the SFO as an example of its success.

# 9 IRA men to be freed in Irish Republic

By John McManus in Dublin

The government of the Irish Republic last night approved the release from prison of nine members of the Irish Republican Army.

Ms Nora Owen, the Irish justice minister, confirmed the release of the nine men. Their release due last month was cancelled after the shooting of a postal worker in Northern Ireland during a robbery at a sorting office.

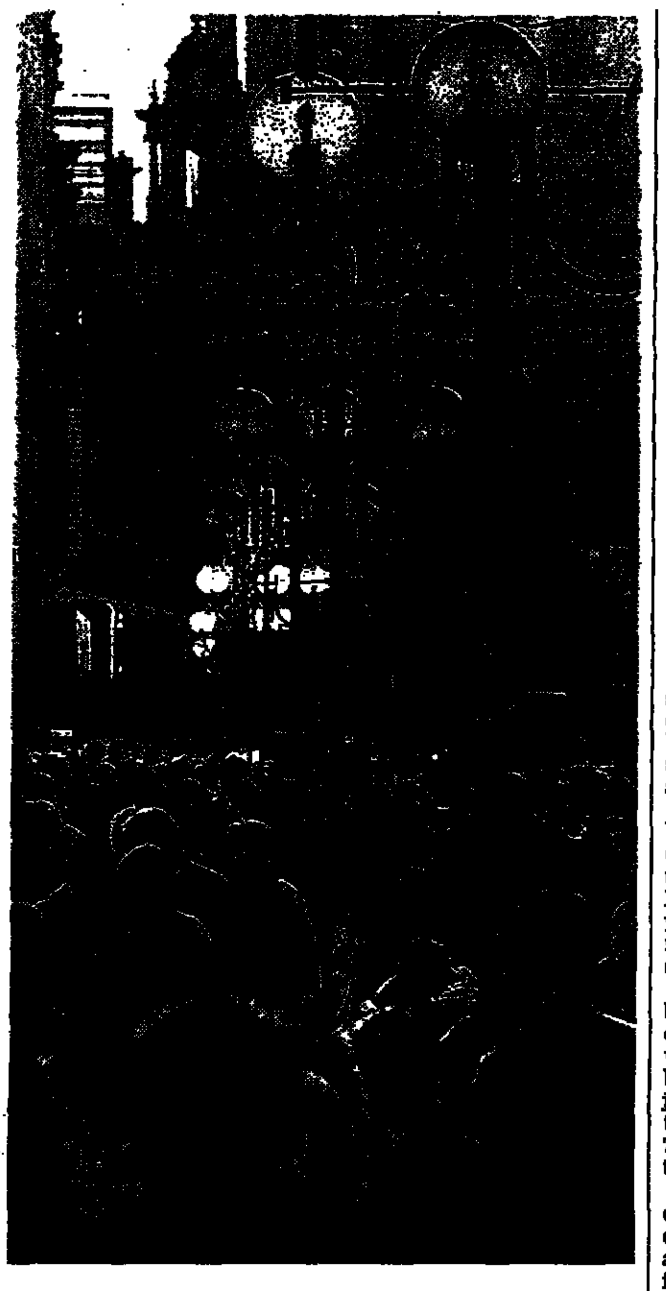
Ms Owen described the release as a "significant gesture" and a sign that the republic's new coalition government was moving to consolidate the peace process.

Meanwhile, security sources in Northern Ireland believe a bomb found in Enniskillen last Sunday was made by the IRA and may have been planted as a way of keeping up pressure on the government.

The IRA leadership earlier this week denied that any of its units were responsible for planting the bomb which was defused by army personnel after a telephone warning.

But the apparent confirmation that the bomb "bore the hallmark of the IRA" will raise suspicions that the organisation has within it a hardline element which is becoming increasingly impatient with the lack of a political response to the ceasefire.

An analysis of Northern Ireland by the private security and intelligence consultants Control Risks this week estimates that 30 per cent of the IRA's membership opposed the ceasefire, but accepted it on condition that political progress would occur soon.



Belfast's retailers are experiencing their best ever Christmas as consumer confidence returns in the first December for 25 years to be free of terrorism. Since the IRA ceasefire at the end of August, the shopping district around Royal Avenue (above) has seen September sales up 2 per cent, October 8 per cent and November 13 per cent. Belfast Chamber of Trade estimates sales volumes will increase by around £30m to £400m over Christmas

# Car output for export to reach 20-year record

By John Griffiths

A further upward surge in UK car production for export in November has ensured that total car output this year will be the highest for two decades.

Statistics released yesterday showing the latest exports rise coincided with the signing of a potentially export-boosting agreement between Rover Group, a subsidiary of BMW, and Indonesian authorities on an Indonesian national car project.

Under the deal, Rover will lead a project to design, develop and manufacture a small car, the Meleo, for production in Indonesia. An outline memorandum of understanding on the project was signed late last year.

Mr Richard Needham, the UK trade minister, said yesterday it was intended that 20,000 to 25,000 cars would be built in Indonesia in the first year after production started in late 1997, rising to 100,000 a year at the end of the decade.

The motor industry's contribution to the UK's improving overall exports performance was underlined by the November statistics, which showed a jump of 53.8 per cent in production of export-destined cars to 79,290 compared with 51,560 in the same month a year before.

That lifted November's total car output to 157,613 – a year-on-year rise of 22.8 per cent. As a result, total output for the first 11 months of the year reached 1.36m, a 5.8 per cent rise on the equivalent 1993 period, said the government statistical office and the Society of Motor Manufacturers and Traders.

The full-year total is thus certain to exceed 1.4m, the highest total since the 1.53m achieved in 1974. November's export performance more than compensated for fairly flat production for the domestic market – up only 1.9 per cent to 78,233. However, the situation was reversed for commercial vehicle production. Total output in November reached 25,639, a 16.9 per cent year-on-year rise. Export production was down 10.7 per cent as mainland European markets remained depressed, while output for the domestic market rose 51 per cent.

**The Scottish economy, which outperformed all other UK regions during the recession, has begun to slip back in the recovery, says Scotland's main economic research organisation, our Scottish Correspondent writes.**

**The Fraser of Allander Institute at Strathclyde University says Scottish manufacturing output has risen faster than that of the UK as a whole since 1992 thanks almost entirely to rapid expansion by the electronics sector. Without that sector manufacturing output would have declined.**

**"The recovery in Scottish manufacturing is much more narrowly based than manufacturing in the UK," the institute says.**

**Its latest quarterly bulletin points out that official statistics for output by the production and construction industries in the second quarter of 1994 (the latest available) show a fall of 1.1 per cent in Scotland compared with a rise of 1.8 per cent in the UK as a whole.**

## UK NEWS DIGEST

## Mercury offers 55% price cut

Mercury Communications, the UK's second-largest public telecoms operator, yesterday cut international call prices for its largest users in reaction to intensifying competition. It said daytime telephone calls to North America would drop to 20p (31c) from 44p a minute for customers spending £35,000 or more a month with the company. The price to principal European destinations will also be 20p a minute compared with 26p while calls to Hong Kong will be 55p a minute compared with the standard Mercury business rate of 78p.

Analysts said Mercury's international prices were slightly lower than those of British Telecommunications, the largest UK telecoms operator, before yesterday's cuts, but that both UK operators were being undercut by UK competitors such as Colt and US operators including Sprint.

Mercury's profits slipped in the first half of the current year forcing a management reorganisation, redundancies and abandoned services. Mr Duncan Lewis, newly appointed chief executive, said the cuts were an example of Mercury's new approach to customers.

This week AT&T, the largest North American carrier, was awarded a licence by the UK government enabling it to offer cut price business telephony services across the Atlantic. This is expected further to intensify competition and promote lower prices fof customers.

## IBM announces first compulsory job losses

The UK subsidiary of International Business Machines has, for the first time in 70 years, introduced compulsory redundancies. About 20 staff have been asked to leave in the company's customer services division and 10 from the Warwick Software Development Laboratories. The abrupt change of strategy is significant for the world's largest computer manufacturer which has prided itself on offering complete job security to competent staff. Compulsory redundancies were introduced in the US earlier this year.

IBM's UK workforce has dropped from more than 18,000 people in 1990 to fewer than than 10,000. The company has been cutting staff numbers worldwide through voluntary redundancy over the past four years to come to terms with slimmer profit margins in an industry dominated by personal computers rather than mainframes.

## Regulator rejects plea on Maxwell audit

Coopers and Lybrand, the accountancy firm, has failed in its attempt to halt an investigation into its auditing of the Maxwell Group pension funds. The Joint Disciplinary Scheme, the accountancy profession's regulator, wanted to investigate the firm's role as an auditor.

High Court judges Lord Justice Henry and Mr Justice Kay said: "The question should be addressed promptly, and its resolution should not await and be dependent on the final resolution of civil proceedings which may be some years off."

The case hinged on whether regulators can investigate cases still being heard in criminal and civil courts. It is seen as a test case for regulators in all sectors including the financial markets. Coopers and Lybrand argued that, if it lost a case before the JDS, the result could be "catastrophic" for the firm.

## Lawyer jailed for year over false accounting

A solicitor who helped a businessman take money from his company and a staff pension fund was jailed for 12 months. Mr Simon Easton, who was also ordered to pay £60,000 ($93,600) prosecution costs, was told by a judge in London that he senselessly threw away an "enormously successful" career to help a client pay a £114,000 divorce bill. Mr Easton was convicted last month of three charges of false accounting in 1989.

The jury heard that Mr Easton, a senior partner in Calow Easton, a central London law firm, had withdrawn an original invoice after Mr Edward Hunter had said he could not pay, and had submitted three false invoices in their place, allowing his client to save £44,000.

## Crop power decision leads to protest

The government's decision to back only three small projects producing electricity from crops has jeopardised Britain's chances of becoming the European Union leader in this emerging technology, claim supporters of the industry. Fast-growing willow and poplar trees, harvested for burning in power plants, could provide 20 per cent of Britain's electricity needs by 2025, according to the most optimistic projections.

## Unions urges curbs on top executives' pay

Trade union trustees of corporate pension funds have been urged to support action to curb excessive executive pay rises in companies in which their funds have shares. The Trades Union Congress has written to 1,000 trustees urging them to seek inclusion in company remuneration committees. He said executive pay should be related to workforce pay in general.

**NADIR ORDER:** The Turkish High Court of Appeals has scrapped an order made by a lower court appointing a local administrator to the Turkish assets of the collapsed empire of fugitive businessman Mr Asil Nadir. The move marks further progress for the London-based administrators at Coopers and Lybrand in their efforts to gain access to assets in the Polly Peck group.

**TRUCK APPEAL:** Lawyers acting for a haulage company ordered off the road after one of its trucks went out of control, killing six people, lodged an appeal against the ban. Traffic Commissioner Mr Keith Waterworth said Fewston Transport, based at Skipton in northern England, had showed a "cavalier disregard for vehicle safety standards".

**WAR COMMEMORATION:** A service was held on the island of Anglesey off the tip of north Wales to mark the 50th anniversary of the death of eight US Air Force bomber crew. They parachuted into the sea without lifejackets in thick fog, believing that they were over land. They were returning from a mission in the Battle of the Bulge.

**FARM ADVICE:** Charterhouse Bank is to advise the government on privatisation of its farm advice agency, Adas. Charterhouse will focus on the agency's commercial consultancy and research-and-development operations and will report to ministers in February.

# EU cash transfer plan wins support

By Alison Smith

The UK government has given broad support to the European Commission's proposed legislation to make it easier, cheaper and quicker for small businesses to transfer money across borders.

The plans had been vigorously opposed by mainland European banking organisations, which argued that legislation could mean smaller banks would no longer offer the services and that existing efforts by larger banks to improve transfer arrangements would be disrupted.

Apacs, the UK body representing payment-clearing services, said it would now try to ensure that the directive would be flexible enough not to inhibit competition.

Mr Anthony Nelson, Treasury minister, said British banks generally did well compared with other European banking sectors in terms of providing transfer services in good time. But they were ranked much lower in terms of expense. "We need higher standards and much more observance of standards," he said. "The average time taken to transfer a payment – which a study for the Commission showed had increased to 4.8 days in 1994 – is wholly unsatisfactory."

The French government has indicated that pursuing the proposals will be a priority for their presidency, though the UK government believes that the target of reaching a common position on the proposals *in March is* "very optimistic".

The Commission's measures would ban double-charging – where banks charge customers for receiving cash as well as sending it – and would mean that banks would have to refund the charge where the transfer was not completed unless they could shift responsibility by mutual agreement.

They would also provide that money should be credited to the recipient's account within six working days unless the customer and originating bank agreed it could take longer.

# Surplus milk sold to Ireland

By Deborah Hargreaves

Milk Marque, the farmers' dairy co-operative, sold cut-price milk to Ireland last week after causing a furore in November when it raised prices in England and Wales by as much as 20 per cent.

The exports have caused an outcry in the dairy industry where higher prices forced some companies to close processing plants. Dairies are angry that surplus milk has been made available to Irish cheesemakers at about 3p per litre below the cost of supply on the daily UK wholesale market. "It is infuriating for companies which are locked into high-priced annual contracts," said Mr Neil Davidson, president of the Dairy Industry Federation. "British consumers are clearly being ripped off."

Dairies and supermarkets raised consumer prices for milk by 1p to 2p per pint in response to higher wholesale prices when the £3.3bn market was deregulated in November.

Mr Andrew Dare, chief executive of Milk Marque, said the export sales were required to cope with an emergency breakdown of Unigate's large processing plant at Chard in south-west England and the annual shutdown of several other plants. "When we get a breakdown we have to take immediate steps to move the milk," he said.

The milk surplus has been caused partly by the mild weather, which encourages cows to produce more milk, and partly by farmers' attempts to cash in on high prices.

# Minister is warned on Pergau

By James Blitz at Westminster

Mr Douglas Hurd, the foreign secretary, may be forced to return some £24m already spent on Malaysia's Pergau dam to the UK Overseas Development Administration in spite of his recent statement that "the books for previous years are closed".

The World Development Movement, which recently secured a High Court ruling that payments for Pergau were illegal, said yesterday that it would take up the case again if money spent on the dam in previous years was not returned to the aid budget.

Mr Hurd told the House of Commons recently that funds due to be paid to the Malaysian government this year and next would come out of the Treasury reserves, and that the ODA could retain existing funds for other projects. But the World Development Movement said Mr Hurd was also obliged by the court judgment to reimburse the aid budget with money spent on the Pergau project in previous years.

As evidence for this, the organisation cites the High Court ruling that "the secretary of state would take such steps as were necessary to give effect to the judgment of the court".

## BBC settlement over football claims

The BBC has paid undisclosed damages to Mr Iginio Santin, a London restaurateur, over allegations in a Panorama programme concerning his role in negotiations over the transfer of the footballer Paul Gascoigne from Tottenham Hotspur to Lazio Roma.

In the High Court this week, the BBC said it had not intended to suggest that Mr Santin had acted dishonestly. It accepted that an allegation in the programme that the transfer deal had been concluded before Mr Santin had become involved was false. The BBC's solicitor said it accepted that Mr Santin made a "significant contribution" to negotiations between the clubs.

# Lottery operator's advantage under fire

By Raymond Snoddy

Britain's football pools operators are renewing their campaign to persuade the government to act on their disadvantages compared with the National Lottery.

The pools have lost a significant slice of their revenue to the National Lottery and some executives fear that in the longer term their industry, which employs 45,000 full-time and more than 80,000 part-time workers, could be undermined.

National Lottery sales are going particularly well in the run-up to Christmas and yesterday Camelot, the lottery operator, revised its estimate of the Christmas Eve jackpot to £8m ($12.5m) from £6m.

The lottery, it is believed, has already led to a reduction in of around 12 per cent to 13 per cent in the weekly takings of Vernons, the pools subsidiary of Ladbroke.

● Britain's opposition Labour party may seek to impose a "windfall" tax on Camelot.

Some shadow cabinet members believe the terms in the National Lottery licence under which Camelot will receive 5 per cent of the revenues for the initial seven years are unjustifiably generous given the lottery's immediate success.

They see a tax on Camelot's share of lottery proceeds as one way to redress the balance without renegotiating the licence.



## Relief on revalued local property tax will reduce its impact in northern England

# Review of rates will harm London, says City

By John Authers

The international competitiveness of London will be damaged by next year's revaluation of business rates, said the Corporation of London, the municipal authority for the City. Its comments about rates, a local property tax, came as the first details of new rateable values were revealed to municipal authorities throughout England.

Rateable values for inner London offices have been cut by 59 per cent in the new revaluation, which takes account of the decline in the property market since 1988, when the last revaluation took place. But the transitional relief scheme announced in the government's Budget last month means that cuts in rate bills for large buildings will be limited to 5 per cent after inflation.

The relief scheme is meant to soften the impact of the revaluation on northern properties, where rateable values for office blocks will increase by 50 per cent on average. Next year, increases in rates payable will be limited to 10 per cent, indexed for inflation.

London businesses will in effect pay for this relief by foregoing cuts in rateable value. Mr Michael Cassidy, chairman of the corporation's policy and resources committee, said: "Clearly ministers have decided there's political benefit in giving Treasury money to northern cities yet again."

The corporation said the rates bill for one office block in Bishopsgate would only drop from £5.4m to £5.2m ($8.1m) next April, when the new values come into force. If the transitional relief scheme had not been in operation, the rates bill would have fallen to £2.7m.

Mr Cassidy added: "We were planning to use the prospective reduction in rates as one of our selling points to attract businesses into London. There's a perception abroad that the property tax burden in the UK makes us less competitive."

Figures from the Institute of Revenues Rating and Valuation, the professional body of surveyors and valuers, show that inner London is the only English region where rateable values will fall.

**Estimated impact of 1995 revaluation on rateable value (%)**

| Region | Shops | Offices | W/houses | Factories | All |
|---|---|---|---|---|---|
| N England | +30 | +60 | +43 | +20 | +24 |
| NW England | +31 | +51 | +46 | +31 | +32 |
| E Midlands | +22 | +35 | +21 | +15 | +20 |
| W Midlands | +31 | +54 | +48 | +40 | +34 |
| Yorks/Humbers | +27 | +56 | +32 | +23 | +26 |
| Inner London | -16 | -59 | -14 | -14 | -40 |
| Outer London | +12 | -5 | +5 | -8 | +5 |
| Rest of SE Eng | +2 | -12 | +7 | +2 | +2 |
| All UK | +10 | -29 | +17 | +13 | +1 |

## JOBS: Ebenezer Scrooge has survived until the late 20th-century and no longer needs Bob Cratchit

# Christmas Carol with a different tune

One of the lasting themes in *A Christmas Carol* by Charles Dickens is the pursuit of wealth for its own sake without social responsibility. Scrooge sits in his counting house, oblivious to his own material needs and those of his employee, Bob Cratchit.

The relationship between manager and employee has rarely been more pertinent than it is today. Suppose, instead of focusing on the human condition, Dickens had looked at the job itself. Suppose the spirits who visit Scrooge after he has seen the apparition of his late partner, Marley, are concentrating on something other than his personal history and prospects. Imagine, for instance, he is visited by the spirits of jobs, past present and future. What would they have beheld?

A condensed version of the story might have started thus:

The job was dead to begin with. There is no doubt whatever about that. Dead as a doornail. Scrooge knew it was dead. Scrooge was the employer and Scrooge needed no more jobs, not in the ordinary course of events.

Hard and sharp as flint – a squeezing, wrenching, grasping, scraping, clutching, covetous old sinner – Scrooge sat in his counting house on a cold bleak, foggy Christmas Eve. "You'll not be in tomorrow, I suppose," he said to his solitary clerk.

"If quite convenient, sir."

"It's not convenient," said Scrooge, "and it's not fair. Expecting the employer to shoulder every social responsibility. If it's not holidays, it's maternity leave, sick pay and pensions. Bah. Humbug," said Scrooge. "You'll be downsized, soon enough. Downsized or outsourced."

Scrooge stepped out into the cold, misty City streets and wound his way through the throngs of last minute shoppers until he came to the chambers he had once shared with his former partner, Marley. Was that Marley's face upon the knocker. "Nonsense!" said Scrooge to himself, twitching his eyes. Settling himself in his nightgown, a bowl of gruel on his lap, he tried to rid himself of Marley's image. But the face was everywhere about the room. A noise of dragging chains and footsteps, at first faint, now clearer, could be heard beyond the bedroom door.

The apparition as it passed through the door was visible at once as Marley, dragging his heavy chain fixed to cash boxes, keys, padlocks, ledgers and deeds.

"Who are you?" asked Scrooge.

"Ask me who I was. This chain, these boxes, these trappings of the job. I wear the chain I forged in life." The spirit looked Scrooge in the face. "I am here to warn you. You may yet escape my fate, Ebenezer. You will be visited by three spirits on successive nights." The fading apparition swirled throughout the open window out into the night. Scrooge tried hard to say "humbug" but could not and dragged himself back to sleep. It was already dark when he awoke to hear the clock striking the hour that Marley had foretold.

A light flashed inside the room and a hand drew aside the curtain of his bed. It was a familiar figure, dressed in a boiler suit, holding a spanner in the other hand and wearing a flat cap. "I am the ghost of employment past," it said.

Holding Scrooge by the hand, he guided him out into the high street. Here was the bank with its tall marble pillars, crafted plasterwork and long counters staffed by clerks stamping passbooks, counting change and banking the contents of weekly wage packets. Managers sat behind oak desks in private offices, sipping tea brought by their secretaries. Outside town in the car factory, the workers had their precise jobs defined and their unions ensured that demarcation lines were maintained. The staff, their nomenclature dictated by their white collars, had their desks and telephones and adding machines and reporting structures.

One of the boiler-suited figures was complaining to the bank clerk. The wage negotiations had been going badly. "They can't make the five-per cent limit stick," he said. "We took the vote on a show of hands. We're out tomorrow."

No sooner had the image faded than Scrooge beheld another figure before him. A pin-striped woman? Scrooge blinked. She was so young.

"I am the ghost of employment present," said the spirit. It was Christmas morning now and Scrooge found himself standing in the City streets, scored by freshly dug trenches awaiting plastic cables for the information super-highway.

There was Scrooge's clerk, Bob Cratchit, struggling to get away from the traffic lights in his company Vauxhall Cavalier, still brand new. There was Tiny Tim, sitting up in his Nuffield bed, paid for using Bob's Bupa membership. Bob had made the most of his flexible benefit: extra holidays, private medical insurance, company car. It helped subdue the fears arising from the negative equity in the mock Georgian "executive" home he had bought at the height of the property boom.

The spirit pulled Scrooge by the hand, moving through the night, across the land, to a former council house in Nottingham where a miner, not long redundant was feasting his family. "It's not going to last but the re-training might work if there's a job at the end of it," he said.

They passed students, drinking away the future with their talk of travelling the world and working for nothing. They saw worried faces on redundant middle managers, wondering how long their temporary work and casual opportunities could stave off house repossession, and they saw the homeless, long since deserted by hope. They passed a director, pondering the financial pages, working out the best time to take his share options, knowing that in a downsized, delayered workplace his own options were running out. Time to telephone the headhunter.

As the spirit disappeared, Scrooge prepared himself for the final phantom as it emerged from the gloom. "Ghost of employment future. I fear you more than any spectre I have yet seen," said Scrooge.

The ghost said nothing but pointed to an empty office block. A middle aged man, was it Cratchit? stood on the pavement looking bewildered. He was speaking to Tiny Tim held in his arms: "No one told me about this Tim. I thought I had a job for life and it's gone. That old skinflint Scrooge said he wanted a leaner organisation. He could get my job done more cheaply outside. The outplacement was helpful. I have a short-term contract now but frankly its not as good as before.

"Never mind, Tim. Something will come up."

The mist descended and when it lifted they were back in Scrooge's chambers. Time had passed. Scrooge himself was nowhere to be seen. A computer terminal sat on a desk. In came Bob Cratchit, wearing jeans, with Tiny Tim bouncing after him, now not so tiny. "Once we've removed this, Tim, that will be the end of it. He never realised. Who needs a counting house when you have software systems? Who needs an office when you can work from home? Those computer games you played in hospital served you well. We can live on the royalties from your Sonic Scrooge game for the rest of our lives."

The spirit showed Scrooge one last image – a gravestone on which he could just make out the inscription. It said: The job.

"So it's true," said Scrooge who emerged from the haunting a wiser man. Renaming his business Scrooge Management Consultancy, he passed on the accounting work to Cratchit Systems Inc, took time out, wrote a book, became a guru, joined the lecture circuit and lunched on other people's expense accounts. "Work?" he said. "This is what I call work."

**Richard Donkin**



هكذا من الاصل

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## APPOINTMENTS



## LEGAL NOTICES

In the High Court of Justice (In England) Chancery Division No. 007734 of 1994

IN THE MATTER OF
SCAN RE INSURANCE COMPANY LIMITED
and
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that, by an Order dated 13th December 1994 made in the High Court of Justice in the matter of Scan Re Insurance Company Limited ("the Company"), separate meetings were ordered to be summoned of Scheme Creditors (as defined in the scheme of arrangement referred to below) of the Company for the purpose of considering and, if thought fit, agreeing to a scheme of arrangement proposed to be made between the Company and its Scheme Creditors pursuant to Section 425 of the Companies Act 1985 ("the Scheme"), namely:

i) Scheme Creditors with claims in respect of which they are not Prospective Protected Policyholders (as defined in the statement required to be furnished under Section 426 of the Companies Act 1985 in connection with the Scheme (the "Explanatory Memorandum")) and

ii) Scheme Creditors with claims in respect of which they are Prospective Protected Policyholders.

The meetings will be held on 15th February 1995 at The Great Hall, Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY, United Kingdom at the times mentioned below, namely:

I) in the case of Scheme Creditors with claims in respect of which they are not Prospective Protected Policyholders, at 11.00 am;

ii) in the case of Scheme Creditors with claims in respect of which they are Prospective Protected Policyholders, at 11.20 am (or as soon thereafter as the previous meeting shall have concluded or been adjourned).

The times referred to are London times.

The Chairman of the meetings will address Scheme Creditors generally on the Scheme and on issues relevant to voting and will invite and answer questions at the commencement of the first meeting.

Scheme Creditors may attend and vote at the meeting(s) for which they are eligible either in person or by proxy and are, in any event, requested to complete the appropriate form of proxy and return it to the Provisional Liquidators at 44/46 Old Steine, Brighton, East Sussex, BN1 1NH, England by 5.30 pm on 8th February 1995, although if not so returned, proxy forms will still be valid provided the original is received by the provisional liquidators by post no later than the date of the meetings or by personal delivery not later than the time at which the person appointed as proxy exercises its appointor's right to vote or the creditor itself exercises its right to vote. The Chairman of the meetings will accept faxed forms of proxy subject to receipt of the original in the manner and before the time specified above.

Each Scheme Creditor or his proxy will be required to register his attendance at the meeting he is entitled to attend prior to the commencement of the first meeting. Registration will commence at 10.00 am.

The Scheme is proposed between the Company and its Scheme Creditors. Subject to the exceptions referred to below, Scheme Creditors are those creditors of the Company in respect of claims arising out of a liability to which the Company is subject at the date of the Scheme or to which it may become subject thereafter by reason of an obligation incurred before that date. The exceptions are creditors in respect of any claims which would have been preferential in a liquidation of the Company, or which relate to the costs or expenses of the Scheme or which arise out of travel insurance policies through Collective Insurance Agency between 1st October 1989 and 30th September 1992 which will all be paid in full.

Any Creditor of the Company who is or believes that he may be entitled to attend at either of the meetings may obtain a copy of the document containing the Scheme and the Explanatory Memorandum and forms of proxy for use at the meetings from the Secretary of the Company at 44/46 Old Steine, Brighton, East Sussex, BN1 1NH in England and at the office of Leboeuf, Lamb, Greene & MacRae, 125 West 55th Street, New York, 10019-5389 in the United States of America.

By the Order, the High Court of Justice has appointed Gareth Howard Hughes or, failing him, Nigel James Hamilton, to act as Chairman of the meetings and has directed the Chairman to report the results of the meeting to the court.

Dated 20th December 1994

Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA
Solicitors to Gareth Howard Hughes and Nigel James Hamilton
Provisional Liquidators of the Company

**NOTICE OF CREDITORS' MEETING IN COMPANY VOLUNTARY ARRANGEMENT**

**AUTHORITY BANK LIMITED**

Notice is hereby given that a meeting of creditors in the above matter is to be held at Pannell Kerr Forster, 78 Hatton Garden, London, EC1N 8JA on the 20 January 1995 at 10:30am to consider proposals under Part 1 of the Insolvency Act 1986.

A proxy form is enclosed which should be completed and returned to me by the date of the meeting if you cannot attend the meeting and/or wish to be represented. In order to be entitled to vote at the meeting the proxy form must be received by me no later than 12:00 noon on 19 January 1995.

Under rules 1.19(1), (3) and (4) of the Insolvency Act 1986 there must be a majority in excess of 75% in value of the creditors present in person or by proxy and voting on the resolution to enable a resolution to be passed for the scheme of arrangement. There are no claims which would be affected by Rules 1.19(3).

JS Baird
for the Joint Administrators

Dated 20 December 1994

No. 007250 of 1994

IN THE HIGH COURT OF JUSTICE CHANCERY DIVISION

MR REGISTRAR BUCKLEY

IN THE MATTER OF
MERCHANT RETAIL GROUP PLC
and
IN THE MATTER OF
COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that the Order of the High Court of Justice Chancery Division dated 14 December 1994 confirming the reduction of the Share Premium Account of the above-named Company by £1,430,861 was registered by the Registrar of Companies on 14th December 1994.

Dated this 23rd day of December 1994

Nicholson Graham & Jones
19-21 Moorgate
London
EC2R 6AU

Solicitors for the above-named Company

IN THE MATTER OF
**DALKATE SECURITIES LIMITED**

PURSUANT TO RULE 4.106, INSOLVENCY RULES 1986

NOTICE IS HEREBY GIVEN that we, Vivian Murray Bairstow and Nigel Ruddock of Robson Rhodes, 186 City Road, London EC1V 2NU were appointed Joint Liquidators of the above-named company on 8 December 1994 by the Members and Creditors.

Dated 20 December 1994

VIVIAN MURRAY BAIRSTOW and NIGEL RUDDOCK
Joint Liquidators

## PERSONAL





# PEOPLE

## Southern increases geographical base

Eight months after an internal reorganisation at NatWest Markets, Garry Southern, managing director of international development, is moving across to Standard Chartered Markets into the newly created position of chief executive of the capital markets division.

Southern will assume responsibility for debt capital markets and derivatives business worldwide. The bank's focus on Asia meshes well with Southern's love of the region and he claims to have become tired of the "basis point business" that characterises mature capital markets.

His is the most senior appointment made to date by John McFarlane, who heads Standard Chartered Markets. McFarlane, who joined from Citibank 18 months ago, has had to spend much of his time reorganising the Asian operation in the aftermath of a series of scandals, notably in Bombay and Hong Kong.

Brought up in South Africa, Southern, who has just turned 50, began his professional life in London as a barrister. He quickly moved into the Euromarkets – on the advice of his cousin Alastair Morton, (now Sir Alastair and running Eurotunnel).

In the 1970s he worked for the consortium bank Rothschild Intercontinental specialising in Asian project finance before moving to Manufacturers Hanover where he ran the North American banking operation, principally concentrating on derivatives. He joined what was then County NatWest in New York in 1986; he moved to London in 1989, and headed the capital markets operation until April 1994.

Having arrived at County NatWest around the time of the Blue Arrow affair, he will probably not be unduly put off by Standard Chartered's difficulties. "Either you join a firm that is running like a Rolls-Royce or you join one that has enormous potential," is his view. *Katharine Campbell*

## Ellis takes his castles to France

Nigel Ellis, BAA's 55-year-old finance director, is opting for a change in lifestyle before he gets too old to enjoy himself. He has decided to chuck in his job at Britain's biggest airport operator so that he can spend more time at his home in France's Dordogne region.

Ellis, whose recreations include collecting Swedish stamps and chess, joined BAA in 1988 shortly after the government had privatised the old British Airports Authority. Having started as an articled clerk in 1957, he worked as chief accountant in several firms before becoming finance director of Hammerson Property in 1979.

Ellis was unavailable yesterday, but BAA stressed that his departure was very much his own decision.

Sir John Egan, BAA's chief executive, says Ellis has made an "invaluable contribution" to the company's success and would continue to act as a consultant.

Ellis intends to retire at a mutually convenient date after the end of the current financial year ends in March 1995. BAA will begin its search for his successor in the New Year. *William Hall*

■ **Fred Crawley** is to step down as chairman of Alliance & Leicester Building Society at the end of next week, after three years in the post.

A resignation at the top in a building society – particularly given current levels of interest in mergers and takeovers – often acts to spur speculation about possible deals, since it removes one of the possible difficulties about filling senior posts.

But A&L has appointed a successor to Crawley – Simon Everard, 66, who has been deputy chairman since 1990, and has had more than 25 years on building society boards since becoming a director of the Leicester Temperance Building Society in 1967.

Crawley, 68, joined A&L – now the fourth largest society – from a background in banking. This proved particularly relevant to the integration of Girobank into the society's activities. He had joined Lloyds Bank in 1942, and was deputy chief executive when he left in 1987.

Within a few months of his becoming A&L chairman, the society's chief executive, Scott Durward, resigned amid claims – which were denied – that he had been ousted in a boardroom coup. Peter White, deputy chief executive and finance director, succeeded him.

Crawley will remain on the board of Girobank, the society's subsidiary, as a non-executive director. *Alison Smith*

■ **George Stevens** is to step down as group managing director of Brockbank, one of the largest managing agencies at Lloyd's of London. Stevens is understood to have been frustrated at the last minute failure of Brockbank's plans to raise £50m from a US investor to set up a new company which was intended to invest in Lloyd's next year. The company said Stevens plans "to pursue other interests outside the Lloyd's market".

■ **Jeremy Leigh Pemberton** is to retire as deputy chairman of Whatman, the manufacturer of filtration and purification products, on December 31. Leigh Pemberton, brother of the former Bank of England governor Robin Leigh-Pemberton (now Lord Kingsdown), was chief executive of Whatman until 1990. David Smith and Edward Libbey, who have both joined the company from BP this year, are appointed executive directors from January 1.

■ **Stephen May**, md of Perkins Foods frozen foods division, has resigned "in order to pursue other interests".

■ **Peter Jones**, formerly UK sales director, has been appointed commercial director for ROVER CARS for the UK and Ireland, in succession to Sandy Mathieson.

■ **Ken Partington**, formerly marketing director of Kalon, has been appointed marketing director of MAGNET.

## Now virtually executive

Dennis Ohryn has moved from virtual manager (monthly transatlantic flights to attend board meetings) to the real world with his appointment as executive deputy chairman of Virtuality Group, one of a handful of UK-based companies making waves in the esoteric field of virtual reality. He has been a non-executive director of the company since 1993.

It should not prove much of a a culture shock for the distinguished US computer professional. Now in his mid-50s, Ohryn has spent 30 years in international sales and marketing in the computer business. His career has included spells at Prime Computer and more recently at Sun Microsystems, market leader in workstations, where he was responsible for developing worldwide sales.

Virtuality, on the other hand, is a tiny company, newly floated but with some prestigious contracts in the VR market including one with IBM. Ohryn is clearly someone with an eye for a likely winner. In his new role, he will help Virtuality develop its business in the US and Japanese markets while developing existing relationships with IBM and other product companies including Atari and Sega.

Jon Waldern, Virtuality founder and chief executive, says the company is now doing more than half its business in the US and may open a California office. Ohryn's knowledge of the US high-tech scene will be invaluable, he says.

Ray Ticer, 48, who has worked for Apple Computer since 1984, most recently as a consultant, but before that as financial controller in Latin America, has been appointed finance director. The current fd Mark Bernstein is resigning but will remain an adviser. *Alan Cane*

■ **Mike Hawtin** has been promoted to director LAN market Europe and north America for ITT CANNON.

■ **Gary Boyce** has been promoted to European md of JBA.

■ **David Oates** has been appointed sales and marketing director of IDEA UK.

■ **Jeffrey Macklin**, formerly finance director of Europcar, has been appointed director, European operations of INFORMATION DIMENSIONS.

# ACCOUNTANCY

## Big Six incorporation race still in with a chance as a 1995 classic

### Jim Kelly interviews KPMG's senior partner who explains the firm's strategy in its planned move away from a partnership structure

Ian Brindle, the acerbic senior partner at Price Waterhouse, once famously said on the subject of accountancy firms moving from partnership to incorporation that it was a matter of: "when not whether".

After that things became much more simple. The issue boiled down to a question of "Who?".

In October this year, KPMG Peat Marwick announced the start of a consultation period with clients, regulators, and institutional investors on a plan to incorporate its core audit business. A final decision is now likely in late February or early March 1995.

It is still not certain that KPMG will cross the line first. The rest of the Big Six are all either blowing the dust off long-drawn incorporation plans, circulating papers for discussion with partners, or keeping quiet. Touche Ross seems to be the least enthusiastic.

There is still a chance that a rush to incorporation will deliver most of the big firms into incorporation in 1995. But the likelihood is that KPMG's public lead will be maintained to the finishing line.

The problem for KPMG's competitors is divining just why the firm wants to move so quickly. Has it spotted some commercial advantage the others have missed? In particular, how is it going to deal with the many difficulties identified with incorporation over the years?

All those involved see the central advantage to incorporation – the replacement of joint and several liability by corporate and individual liability. The growing burden of litigation, and threatened litigation, is seen by the Big Six as a burden serious enough to push one of them out of business.

Incorporation cannot remove that threat to the business, which can still be pursued to destruction in the courts. But the lesser prize of ring-fencing the personal assets of partners from the consequences of negligence by their colleagues is plain enough.

What appears to be at the core of KPMG's motivation is a desire to promote auditing as the core of its business and to give it room to develop within the new company.

Freed from the anxieties created by joint and several liability, it obviously sees a more dynamic future outside the partnership.

But it is the details which have often stopped other firms from moving ahead. I asked Colin Sharman, the senior partner at KPMG who has driven it forward on incorporation, some of the questions the rest of the accountancy profession is currently asking about incorporation.

**The problem for KPMG's competitors is divining just why the firm wants to move so quickly. In particular, how is it going to deal with the many difficulties identified with incorporation over the years?**

**Would 'KPMG Audit' have to apply for all the audits currently held by KPMG Peat Marwick?**

"There would be a definite change which the shareholders (of the client companies) would have to vote on," he says, adding that the consultation period with clients and investors has been crucial in order to pave the way for such a handover.

**What will be the investment and fund-raising policies of the audit arm? What will be its capital base?**

"We will have in the audit arm the capital we need to run the business," he says. On the capital base, he says KPMG is taking soundings in the market and advice from a third party. "The phrase that is used is that it needs to be substantial. It's not going to be £100. We are right in the middle of those discussions now."

**How will you protect partners not in the audit arm from litigation if they become involved in a troubled audit?**

"You can never, and we will not seek, to protect an individual from the results of his own negligence. That individual can always be pursued whether we have partnership or a company."

**But could a litigant pursue a partner of KPMG Peat Marwick involved in an audit with the company, and so gain access to assets of all the partners through joint and several liability?**

"We think not. We have looked into that and the advice we have got is no. The audit service would be rendered by the auditor and the audit company. Assuming that action was brought under the law of contract the action would be against the incorporated body."

**Even in a corporation you can be sued if you are involved in negligence. But how closely do you have to be involved?**

"I think if you sign the audit report, you are pretty directly involved. I think a concurring partner might well be involved. I think it could be quite a wide net rather than a very narrow net. I don't think it would be restricted to just the person who signed the audit report."

**How will you spread the tax and national insurance costs of incorporation?**

"The partners will bear it individually."

**So it will be incurred by the auditors but spread across all the partners of the firm?**

"Absolutely."

**The audit partner would be a partner of the firm and a director of the audit company?**

"Absolutely. Because remember that our audit partners also do non-audit work. When they are acting as an auditor, they will be acting as a director of the company."

**Is incorporating the audit arm the only plan?**

Mr Sharman said that it was "still feasible" that KPMG would incorporate as a whole.

**What will be shown in the accounts of the firm and company accounts which you have promised to publish if incorporation goes ahead?**

You will be able to see the total take of partners, the average pay per partner, and the key players' details."

**Can you rule out a flotation?**

"We've absolutely no intention of doing that. I can honestly put my hand on my heart and say we have never considered it. There are some things you talk about and decide not to do: we haven't even talked about it."

**How is the consultation going?**

Mr Sharman said that there were two main groups. Those who accepted the need to limit liability and welcomed incorporation; and those who understood the problem and would accept incorporation subject to assurances, such as a continuation of the present insurance arrangements, and that the audit arm would be a "company of substance".

"And a third group which is very small. There are some people who say they do not like it. Those are people who say professional services should be provided through partnerships so we can get at all your assets. The way I interpret that is there is a difference of opinion between those people and us about what we are doing. We are providing a professional service; I think they are looking for insurance. We are not in the insurance business."

**How will you preserve the partnership ethos?**

"If you can preserve the partnership ethos in a partnership of 600, you can preserve it in an incorporation. The question that should have been asked is can you preserve the ethos in a partnership that moves from 20 to 600 partners."

**Will the audit company be told what to do by the firm?**

"I would regard it as being in the same position as a subsidiary of a holding company."





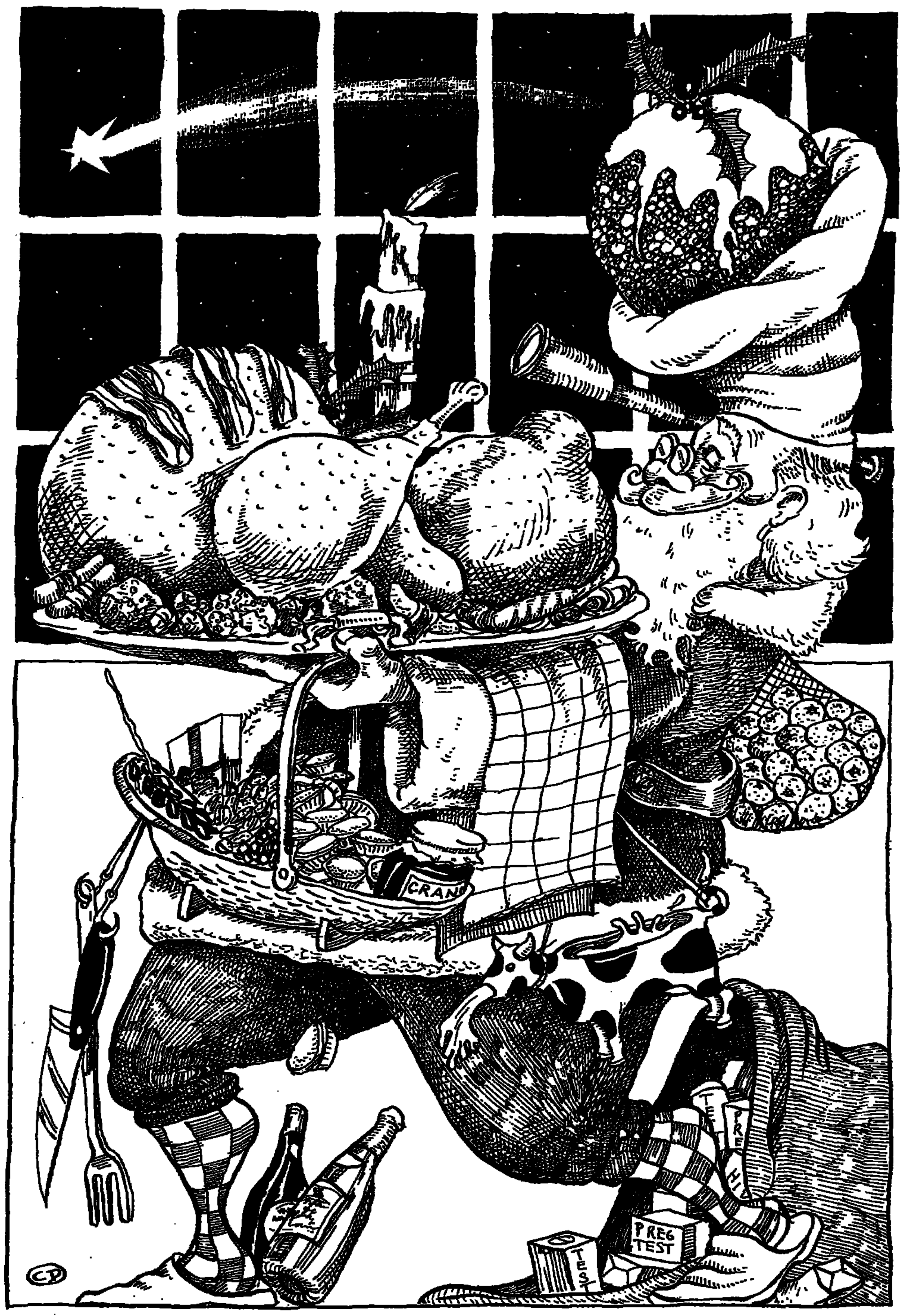


هكذا من الاصل

## TECHNOLOGY

**FT writers offer words of wisdom on food, drink, nutrition and the legend you're likely to be taking part in this weekend**

# Science and the perfect turkey




Christmas is a time to eat, drink and be merry. For many, it is a time for reflection. For the cook, it is a time for stress. But let us assume that much of the preparation is under way. With only 48 hours to go, it is too late to make the perfect Christmas pudding, but there's still time to get the rest right.

As any physicist knows, the important thing is to understand the structure and dimensions of what is being cooked; then know your cooker.

Peter Barham, lecturer in physics at the University of Bristol, takes an equation based on Fick's Law of diffusion as a starting point for the right cooking time for a turkey. Fick's Law (named after Adolph Fick, the German physiologist) says that the mass of solute diffusing through unit area per second is proportional to the concentration gradient.

Applied to a turkey, Fick would have told his mother to buy a spherical bird, to measure its radius, to use a convection cooker and to hope for the best; expressed as an equation: dm/ds = DS dc/dx.

Barham's simplified approach has it that the time for the centre of a turkey to reach a certain temperature is proportional to the square of the radius of the bird. The point is that heat takes longest to reach the centre. The wings and legs may be done to a turn, but the meat inside is only just warming up. Judge a turkey by its inner heat.

Yet more important is the bird's molecular structure, which begins to change at specific temperatures.

Nicholas Kurti, emeritus professor of physics at Oxford University, points out that the protein molecules in turkey flesh – myosi and actin – cook at meat (not oven) temperatures of between 60°C and 70°C. The blobs of protein start to change shape at lower temperatures as the heat breaks the bonds that normally keep them in place.

"There are two stages," says Kurti. "As the meat temperature rises, the molecules unroll and give out threads like an uncurled octopus. The tentacles loosen and spread." This is the point at which the bird is becoming tender.

"Heat it further and the tentacles start grabbing each other – the molecules coagulate and form a soft but rigid network at about 70°C."

This is the critical point. Allow the meat temperature to go much higher, or for coagulation to go on too long, and the networks harden, crack and break up. The bird toughens, and it dries up as the water evaporates. "You'll get a solid and not very tasty meat," says Kurti.

"If only the manufacturers would put in with the bird a small, light thermometer, about the size of a darning needle. You stick this into the turkey [where it stays throughout cooking] to check whether the meat on the inside has reached the right temperature."

Moistness also depends on the condition and fat content of the bird (a turkey is roughly 60 per cent water, 20 per cent fat and 20 per cent protein). "The meat has a loose density, a loose texture which is mainly water," says Kurti. "It can dry out whereas if there's more fat, say with a duck, it will be better."

Some cooks dress their turkey in a muslin vest soaked in butter before roasting. The bird, we are *told*, will emerge a moist and tender creature. But the scientific truth is that the muslin will not help the breast meat deep inside. Its contribution can be only superficial.

For cooking times, Kurti says about 20 minutes per pound for a large turkey, but he urges careful observation of temperature and adjustments to time as appropriate.

John Fry, lecturer in physics at the University of Liverpool, also recommends watching the bird's temperature. "The temperature in the middle is a reasonable guide to cooking time. The formula of 20 minutes per pound and 20 more for the bird is very approximate. If it's an enormous piece of meat you would have to cook it longer."

Barham quotes the equation: t = (M/MO) 2/3 tO. This will give the time for cooking your Christmas bird after experimentation, where M = mass, t = time (the only variables), and O denotes constants. In experiments, MO = the mass of a test bird; tO = a fixed cooking time. Time for the bird is worked out once the other figures are inserted after a test run.

**The wings and legs may be done to a turn, but the meat inside only warming up. Judge a turkey by its inner heat**

Harold McGee, author of *The Curious Cook* and *On Food and Cooking – The Science and Lore of the Kitchen*, also points to the importance of temperature as it relates to protein coagulation and other changes in the muscle and connective tissues. However, his general approach is about "doneness" – that is, whether or not the meat looks done, though this is more readily applicable to red meat.

On the stuffing, McGee says stuffed poultry should be cooked in an oven temperature of 163°C because "lower temperatures allow bacteria in the stuffing to flourish for too long, and higher temperatures shorten the cooking time enough that the stuffing may never cook through". The safety margin on pork is 66°C to kill the trichinae parasite.

Kurti cautions against putting the stuffing into the bird cavity. "It's very tricky if there's raw meat, such as sausage meat. The cavity doesn't get hot enough to cook it." It should be pre-cooked, cooked separately, or put in the neck, where the temperature is higher. There is no problem with a breadcrumb and chestnut stuffing which takes less time to cook than meat and is not potentially poisonous raw.

Now the turkey is safely in the oven, vest on, thermometer in place, the potatoes need attention, particularly those for roasting.

Potatoes contain water and starch molecules. "These puff up," says Kurti, "and the potato becomes crumbly and woolly as the starch molecules break up and absorb water." Overboiling makes them fall apart. Woolly starch molecules are to blame.

Kurti's approach to roast potatoes indicates that some of his research has been carried out in the kitchen: "To produce the right consistency for roasting," he says, "it is best to peel them, quarter them and part cook them in the microwave – for five or six minutes. Then put them in the oven in the fat for half to three-quarters of an hour."

Barham's equation for cooking potatoes is t= r 2 /c, where t is cooking time, r the radius of the potato and c the constant which depends on the surface area of the potato and the heat capacity of the water.

They should be pre-cooked until they acquire a gel-like surface layer which, says Barham, will prevent the starch granules below absorbing too much fat. Barham thinks the perfect potato should reach 66°C throughout.

For the vegetables, overcooking is generally worse than undercooking. But in most cases, cooking enhances flavours because high temperatures "make the aromatic molecules more volatile and so more easily detected," says McGee in *On Food and Cooking*. These volatile compounds, along with nutrients and vitamins, will be driven out with overcooking.

Most greens will emerge crisp and more brightly coloured after rapid boiling in large volumes of water for five to seven minutes – uncovered for the first few minutes. The water will dilute the plant's acids, explains McGee, which dull the vegetable colour. Some of the acids will evaporate quickly and will drop back in if the saucepan is covered.

If all is well with the vegetables and meat, the gravy will be good too. The worst accidents happen with thickening. Where flour is used, starch molecules swell in the liquid. It becomes crowded and gelatinous with too much flour, McGee warns. Lumps occur because starch gelatinises quickly in hot gravy, creating a barrier to the surrounding liquid.

As the turkey is lifted majestically from the oven, only a scientist will reach for the calculator. The rest of us will reach for a cracker, a glass of wine and a party hat. Bon appetit.

**Sheila Jones**

# Health checks for testing times

If the holiday season is likely to leave you feeling ill, worried or guilty, the world's home healthcare industry is ready to spring to your aid.

On offer are a host of diagnostic tools to help you find out whether you have high blood pressure or too much cholesterol, have ovulated or are pregnant. There is no home sanity test yet.

But the experts say some products may *not* be reliable, and *could* even be illegal.

After all the revelry and stress, you might be tempted to buy cholesterol and blood pressure testing kits. High cholesterol levels are associated with high fat diets and with heart disease. High blood pressure can lead to heart problems, stroke, kidney and eye disease.

Tests on the UK market range from a £7 cholesterol test – a drop of your blood spilt on special paper will change its colour according to your cholesterol level – to a £100 computerised blood pressure machine.

The problem, according to the British Medical Association, is that there are many contributory factors to heart disease including family history, diet and exercise.

**Tests range from a £7 cholesterol test to a £100 computerised blood pressure machine**

"You are not getting the whole picture with these devices," says the BMA.

Trials by the Consumers' Association found the cholesterol tests on the market give "variable" results but blood pressure machines are "promising".

Nevertheless, the British Heart Foundation said that "tests can be unreliable" because measurements might not be taken "under ideal conditions". It said that the machines "might cause panic or offer false reassurance".

There is better technology in home pregnancy and ovulation kits. These work by measuring variations in hormone levels in a woman's urine. The Family Planning Association says that today's pregnancy tests are "very accurate".

It warned, however, that confirmation of ovulation does not mean that a couple can have children.

The woman's egg might fail to implant, for example, or the man might be infertile. There is not, as yet, a home fertility kit for men.

For those worried they might have been infected with HIV, home HIV testing kits are on the market. However, the Terence Higgins Trust, the Aids charity, says they are unreliable, inappropriate and illegal in the UK. It says that anyone who thinks they might harbour the virus should seek professional advice and the counselling that may follow a positive diagnosis.

Perhaps a better idea than home kits is a subscription to on-line computerised medical help. Compuserve has medical discussion groups, diagnosis forums and drugs databases.

But in response to worries that ordinary folk might use a distant computer instead of a doctor, it requires subscribers to first acknowledge they have read a screen saying the information is "solely for your education and enrichment".

**Daniel Green**

# Mystery of the Star of Bethlehem

*Lo, the Star, which they had seen in the east, went before them, till it came and stood over where the young child was.*

– St. Matthew, chapter 2, verse 9.

Comet? Supernova? Conjunction of planets? Myth? Or miracle?

Those, broadly speaking, are the five favourite explanations for the Star of Bethlehem – an apparition whose identity has attracted much speculation from astronomers, amateur and professional, over the years.

Of course the atheist who regards the Bible as superstitious nonsense can dismiss the Star as a figment of the imagination of whoever wrote Matthew's gospel. At the other extreme, the fundamentalist who regards the Bible as literal truth can claim the Star simply as a miracle; if so, there is no point in trying to relate a divine sign to known astronomical events.

However, there are many Christians who would be prepared to believe that God made use of natural events to give a sign of his Son's coming. And there are many non-Christians who accept that there could be historical – though not supernatural – explanations for some stories in the Bible.

So, what natural phenomena could account for the Star of Bethlehem? Anyone who has seen the planet Venus shining bright in the western sky on a crisp winter evening may feel that no further explanation is needed.

But Venus could not really be the answer. Nor could any other regular feature of our night sky.

Surely only a really remarkable portent would have drawn the wise men or Magi several hundred miles west to Palestine from their presumed homes in Persia.

If we are looking for a special astronomical event, we need to know its date as accurately as possible. Our current system of numbering years, supposedly starting from Christ's birth, was not fixed until the 6th century AD, when the historical record was far from clear.

Modern Bible scholars believe that the date of the nativity was somewhere between 8 BC when the Emperor Augustus ordered his great tax census and 4 BC when King Herod died. They have no clues about the time of year. Three or four centuries later, people began to celebrate Christmas just after the winter solstice, to take advantage of existing pagan festivals.

**A comet with a vertical tail might fit Matthew's description of a Star that "stood over" Bethlehem**

Although no reliable astronomical chronicles survive from the Roman Empire, we do have such records from ancient China. They provide no clear evidence that a brilliant new star appeared in the sky between 8 and 4 BC. This seems to rule out the most obvious explanation for the Star of Bethlehem – a supernova or gigantic cosmic explosion elsewhere in our galaxy.

However, Chinese observers did describe a bright comet which appeared in the spring of 5 BC and remained visible well into the summer. A comet with a vertical tail might fit Matthew's description of a Star that "stood over" Bethlehem.

Although some historians have rejected this theory on the grounds that a comet was usually regarded as an ill omen, others maintain that a comet could equally well portend good news in the ancient world.

A different line of argument moves away from the Christmas card image of the Star as something spectacularly bright and beautiful. After all, St. Matthew tells us that Herod, his chief priests and scribes failed to notice it until the wise men appeared in Jerusalem.

Perhaps the Magi saw a more subtle astrological sign. This would not have been obvious to the contemporary Jewish court, which paid little attention to astrology, but could have been a powerful portent for the wise men, who were probably Zoroastrian priests from Persia.

The most likely event of this sort occurred in 7 BC – a "triple conjunction" of the planets Jupiter and Saturn in the constellation Pisces. The planets appeared close together in the sky on three occasions during the year, most dramatically on September 15 when they rose simultaneously above the horizon at sunset.

David Hughes, an astronomer at Sheffield University, believes that the wise men took this as the moment of Christ's birth. Jupiter was king of the gods, Saturn represented justice and Pisces was the sign of the Jews, giving the event an astrological potency that is hard to imagine today.

Whatever happened, the Star is a romantic addition to the Christmas story, not an essential part of its message. But for some astronomers it is the most fascinating mystery in the Bible – all the better because there is little prospect of anyone ever coming up with a definitive solution.

**Clive Cookson**

# Food, glorious nutritious food

Christmas eating is seriously misrepresented. Not only is it not bad for you, but it provides the nearest thing to the perfectly-balanced day's eating.

When else does one eat dates (loaded with potassium)? Don't we all eat tangerines (beta-carotine, vitamin C) at Christmas? Is there anybody who does not get chocolate and nuts (vitamin E, magnesium, potassium) in their Christmas stocking?

The menu was created by a great nutritionist.

Turkey is a very low-fat meat, which helps maintain a healthy cholesterol level. It is rich in folic acid – especially important for pregnant women and elderly people. It contains zinc which contributes to healthy sexual functioning. And there is evidence it may help psoriasis sufferers, according to Earl Mindell, author of *The Food Medicine Bible*. The meat also contains vitamins B1 and B6 which help digestion, while potassium is good for the heart.

Poultry liver contains iron and selenium, which help combat free radicals (which can damage the cells genetic material and lead to cancer). Chestnuts are rich in starch, an important energy source. Cranberry juice helps to flush out the bacteria (E. coli) responsible for most urinary infections.

Goose contains a high proportion of oleic fat, which is valuable in protecting the cardiovascular system. Michel Montignac points out in his *Recipes and Menus* for healthy eating that high life expectancy rates in Gers, France, coincide with a high consumption of duck and goose fat, eaten mainly in foie gras.

Potatoes, the Cinderella vegetable (or "dieter's dream", according to Mindell), are a great source of fibre (for regular bowel movement), potassium, and vitamins C and B6. Green vegetables are packed with vitamins and nutrients, but don't overcook them or much will be lost.

**'There is evidence that spoiling ourselves . . . makes people calmer, more relaxed and happier'**

Wine contains a high concentration of minerals, trace elements and soluble fibre to help the digestion. Sherry is said to have aphrodisiac qualities.

Christmas pudding with brandy and cream must be bad for you, but eat it for the sheer pleasure as happier people live longer, according to Professor David Warburton, director of the human psychopharmacology group at the University of Reading.

But if Christmas festivities become too much of a strain "take time out to indulge a little and relax", says Warburton, also a member of the Arise group (Associates for Research into the Science of Enjoyment). He recommends "guilt-free enjoyment" as a relaxation strategy at a stressful time of year.

"There is clear scientific evidence that spoiling ourselves with, say, a glass of wine or beer . . . or a few pieces of chocolate and all things sweet, makes people calmer, more relaxed and generally happier. And medical evidence shows that happier people live longer, so moderate indulgence can only be beneficial."

You need never feel guilty again.

**Sheila Jones**

# MANAGEMENT

William Bridges believes current work patterns are going out of date. **Richard Donkin** reports

## No more jobs please

The first thing you need to know about William Bridges is that he is forecasting the end of the job as we know it. The second is that he earns money telling us what he means by this. He seems to have his work cut out.

His message is simple – the job as a way of compartmentalising work is going to disappear. To those who ask whether this is really going to happen, he replies that it already is. Pursuing the concept of "job creation" is a waste of time and effort, he argues. He has predicted that by 2020, "our job chase will look like fighting over the deck chairs on the Titanic".

How and why the job is disappearing – and the consequences – are the practical and social questions that are challenging governments, companies, managers and employees to establish new ways of organising work, says Bridges, whose latest book, *Jobshift*, will be published in the UK in March.

He ended his own job – his conventional one – about 20 years ago. He was a professor of American literature in California, aged 40. Mid-life crisis or simply a yearning to do something different drove him to search for something new.

"In my parents' generation people would hold on to what they were doing for the next 20 years. They weren't very happy but they held on for security," he says. Giving up a regular job forced some self-examination of Bridges' abilities. "I was faced with a dilemma: what do I want to do? I want to stop teaching. What do I know how to do? Teach. That's a vicious circle in which you can run around for a long time.

"The only way around that is to find all the factors that have gone into the success of what you have done before and then reassemble or recycle them into some new undertaking. I became very interested in why it was hard to make a career change, so I started teaching a seminar at a local college called 'being in transition'." The thinking and teaching developed into a book – *Transitions, Making Sense of Life's Changes*, published in 1980. Fourteen years on it has sold 250,000 copies and is into its 29th print run.

His ideas attracted the interest of companies, many of which in the early 1980s were merging, restructuring or acquiring new businesses. Managements were recognising that many of their staff were therefore undergoing a period of transition themselves. Bridges began to receive requests to go into companies and run seminars for managers learning to manage transition.

It was his experiences in some of these companies, particularly electronics and computer organisations, that inspired some of his latest theories about the limitations of the job. "Many of the people in these companies did not have anything like what I would call a job. They were on a payroll and had a series of assignments, reporting to different people for different projects," he says. He also saw companies using temporary staff and contracting out some of their functions to other companies or individuals. "I decided there was an economic movement going on that people were not talking about," he says.

Bridges noticed that in areas of a quickly changing economy the traditional job had been transformed from something that proved the best way to get things done to an inefficient way of accomplishing work. Wherever the job dominated people's thinking, they were not working on what needed to be done, and developed the response "that isn't my job".

He began to see the job as a "historical artefact" well adjusted to the forms of production that developed in the 18th and 19th centuries. Until about 1800, says Bridges, "people did jobs but didn't have jobs".

He goes back to the derivation of the word "job". Before the industrial revolution, he says, its primary meaning was that of a task. The carriage driver's job was a particular hiring to take someone from one place to another, not the carriage driving itself.

Suppose he is right about the death of the job. How do we confront this social revolution? People, he says, will need four "qualifications" for work. Formal attributes and previous experience are not among them. He identifies them as:

- Desire: that you really want to do the work.
- Ability: that you are good at what the work requires.
- Temperament: you are emotionally suited to the work.
- Assets: individual advantages or resources, such as languages or personal equity, that the work may require.

Organisations, he says, are beginning to recruit people on the basis of Data, the acronym he adopts to describe these attributes.

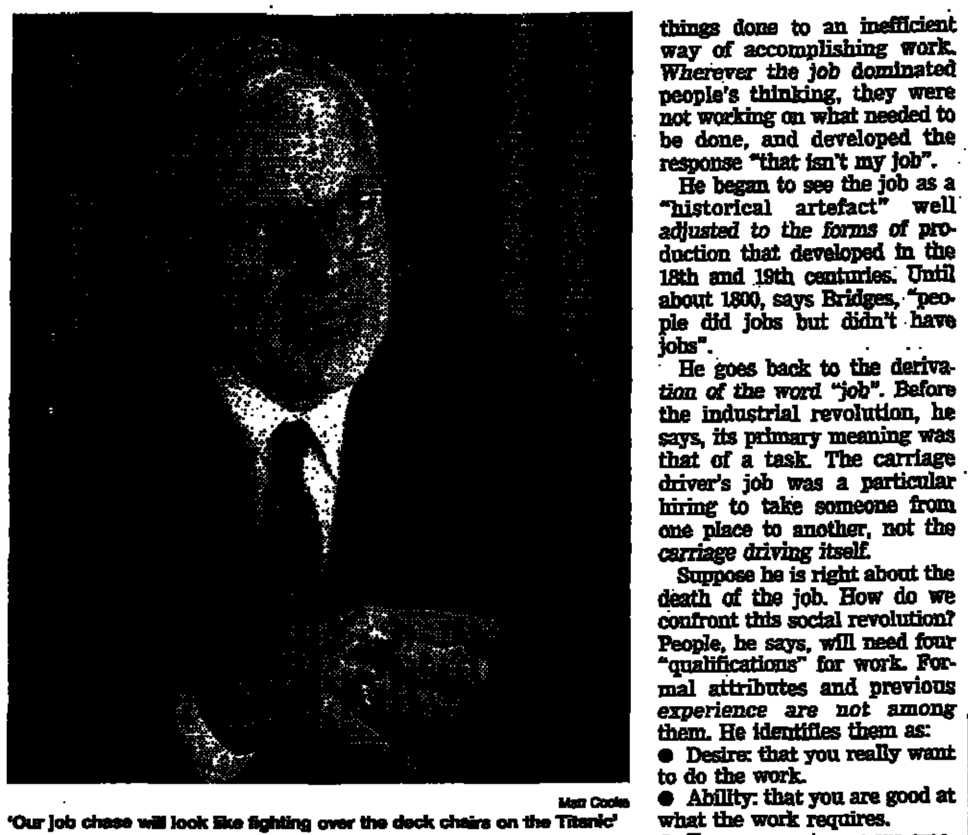
New recruitment methods are being developed. For example, if a company wants to test candidates for a customer service job, it is possible to simulate a situation where a customer screams at the candidate for some imagined slight. The way people handle such problems is more revealing than years of experience or impressive CVs, says Bridges.

One of the most basic changes in this post-job society, he believes, will be to the role of the manager. Most middle managers will go, but what about at the top?

At Ideo, the US's largest industrial design company, in Palo Alto, California, no one has a title or a boss. People are recruited for "the right fit". Hierarchies, Bridges observes, are disappearing in those companies that have pioneered the use of project teams. If we are seeing the end of the job as we know it, could we be also approaching the end of the boss? Bridges is still mulling that one over.

Today, says Bridges, we are returning to self-management, but not in the old way where you took care of your job while you followed the leader. The new self-management is to approach the business as if you had an ownership stake in it. One of the challenges facing de-jobbed workers will be pacing themselves – a familiar problem of the self-employed.

The end of the job has proved quite timely for Bridges who at 61 is close to the age when someone in a conventional job would be retiring. He says: "Should companies be able to force out people no longer doing adequate work? Yes. Do I want anyone to press a retirement age on me? No, I certainly don't. So it's a dilemma, a paradox." He adds: "One of the reasons I like working for myself is that nobody is going to retire me."



Matt Cooke

'Our job chase will look like fighting over the deck chairs on the Titanic'

## Arrest of the corporate police

Financial managers need a new outlook, says **Vanessa Houlder**

Financial managers should stop behaving as *corporate policemen* whose main role is to oversee operating managers, according to a report* by Conference Board Europe, a business membership organisation which researches management policy and practices.

Instead financial managers should be increasingly prepared to serve and share control with line managers, says the research, which is based on case studies, interviews and a survey of 250 North American and European companies.

"A detached, control-laden finance function does not respond to the new imperative to execute flexible, worldwide product and customer strategies," it says. "The traditional finance function role as guardian of internal company resources distances staff from the marketplace."

Finance staff should offer value-added services to line managers, by participating in operating business meetings and helping line managers with competitive analysis, it argues.

Finance specialists' own perception of their role often differs from that of other employees. "Although a majority of finance managers believe that they already have a business-advocate mindset, the majority of non-finance managers express the opinion that finance personnel behave like corporate policemen," the report says.

The attempt to change the role of the finance department is often accompanied by a drive to reduce its cost, a measure that was viewed as a top priority by a third of the respondents to the survey.

The cost of the finance function is particularly high in US firms, which employ three times as many finance people as Japanese firms, the report says. The explanation partly lies with the existence in US firms of elaborate accounting control systems – separate from operating systems – with large staffs that monitor line managers' performance.

**The Changing Role of the Finance Function. From Conference Board Europe, Chaussée de la Hulpe 130, bte 11 B-1050 Brussels, Belgium. Price $100.*

## Change for the better

**Lisa Wood** looks at a new role for the supervisor

The role of the supervisor and the environment in which he or she operates have been "transformed" for the better, according to new research published by Noel Patterson, director of Patterson James, a Surrey-based management consultancy.

The role now holds a position in the management structure unrecognisable from that which it held a decade or more ago, claims Patterson, who draws his optimistic conclusion from research he has recently conducted in three industries: vehicle manufacture, paper manufacture and chemicals.

However, he warns that a number of issues need to be addressed, including greater integration of supervisors in the management hierachy. Second, better promotional opportunities are needed in organisations where graduate-only entry is becoming the norm at higher levels.

The demise of the supervisor began after the second world war, with the rise of trade unions and local shop stewards reducing the control, and hence the authority and status, of the supervisor.

Patterson says: "It was less than 10 years ago in managing oil distribution terminals in the Midlands that I witnessed first-hand the organisational and managerial view of supervision as a buffer between the "decision-makers", that is the management, and the "troops", a highly unionised workforce to be courted and placated.

"Management believed that good supervision 'kept things going' within the rulebook. However, when the rules came into conflict with the behaviour of those supervised, it was usual to abandon the supervisor who had held his line."

An erosion of trade union power, says Patterson, was among a number of changes that transformed the role of the supervisor. Others factors included the adoption of human resource management methods, which focused on the empowerment of the individual.

Supervisors' views were canvassed in the preparation of Patterson's research at three companies. The results showed a gap between what managers perceived as the job performed by supervisors and the reality on the shopfloor. Managers, for example, saw the role as a motivational and co-ordinating one, but in practice it was production and quality targets which dominated supervisors' jobs.

However, Patterson notes the emergence of a tier immediately below first-line supervisor level, which could free the supervisory role from the direct, more mundane tasks of supervision, leaving him or her free to take on a higher co-ordinating, managerial role. Supervisors, he said, were floating upwards in organisations where many middle managers had been removed by delayering.

He warns, however, that as the economy picks up many employers could lose experienced supervisors who believe there is little opportunity for career progression. This is because a combination of the slimming down of organisations plus more graduate-only recruitment at higher levels has greatly reduced promotional opportunities for a group which at its core remains generally a white, male enclave.

More attention, he warns, will need to be devoted to furthering supervisors' activities in communicating with the workforce and the promotion of a broader understanding of organisations' objectives.

Indicative of this trend is the finding that "motivational potential" is a selection criterion that is slowly emerging for supervisors, with both supervisors and management recognising that "behavioural training" – how to influence people's behaviour rather than their skills – is important. Patterson warns: "In practice, it is technical job-related skills which tended to dominate and cross-functioning training is rare."

He adds that while the formal picture is optimistic, much still needs to be done to truly consolidate the role of the modern supervisor. "The agenda is there to be faced."

# Sex, taboos and the selfish gene

**Andrew Clark** reviews the premiere of 'Lolita', Shchedrin's new opera staged in Stockholm

Lo, Lola, Lolita! First came the novel by Vladimir Nabokov, alternately scandalising and seducing its readers when it first appeared in the late 1950s. Then there was the Stanley Kubrick film starring James Mason and Peter Sellars. Now we have the opera – written by Rodion Shchedrin, conducted by his Russian compatriot Mstislav Rostropovich, and staged by Sweden's Royal Opera in Stockholm.

*Lolita* is the story of a middle-aged man's fixation for an under-age girl, set in suburban America around 1950. It is both sick and psychologically fascinating. Sick, because the idea of a 40-year old man having sex with a 12-year old nymphet, and killing the rival who steals her, is an affront to conventional morality. Psychologically fascinating, because it raises issues which puritanical Christian society likes to put a cap on – such as the war of the sexes, the "selfish gene", and why an ageing male should be attracted to a female at the most productive stage of her sexual development.

For the reader, the power of *Lolita* lies in the fluency and elegance of Nabokov's English prose (which he later translated into his native Russian). For the theatre composer, its appeal is more down-to-earth: it deals with a girl, distantly related to Carmen and Lulu, who so obsesses a man that the only way he can rid himself of her is to kill.

Shchedrin (b.1932) is not the first composer to see the novel's dramatic potential. Leonard Bernstein apparently wanted to write an opera with Dietrich Fischer-Dieskau as Humbert Humbert, the European emigré who tells the story from his death-cell. But Bernstein never pursued the idea. Perhaps it was the intellectual quality of the story-telling which put him off, or the difficulty of casting a nymphet.

Nothing so mundane entered Shchedrin's mind. He simply went ahead, not even stopping to think about literary rights. That was the first headache in the run-up to the Stockholm premiere. The Nabokov estate had already sold the rights for dramatic adaptation to Hollywood for a new film, and was threatening legal action if Shchedrin's opera was performed in a major world language.

Thanks to that stand, *Lolita* can be sung in Swedish, *Serbo-Croat* or Swahili, but not English, Russian or German. The estate even banned the circulation of an English libretto – though only Nabokov's words are used – and insisted on editorial control of the Swedish programme. The novelist's son, Dmitri, who is the main beneficiary of the estate, attended the premiere and his presence excited curiosity.

More problems arose when Swedish child protection campaigners tried to force the opera's cancellation, claiming that paedophile acts on stage would encourage sexual abuse. Eskil Hemberg, the Royal Opera's director, put up a spirited defence on national television, saying no-one had called for the suppression of *The Ring* just because it portrayed incest and murder. "If we can't show human failure on stage, there's no future for opera," he said. "Theatre must cover the problems of society. An opera house is a university of feelings – it is our job to demonstrate those feelings on stage, and let our audiences make up their mind."

The opera itself is well-made but unsensational. Shchedrin dispenses with the book's European prelude, ignores all minor characters and incidents, but retains the flavour of Nabokov's word-games. Each of the three acts is a flashback from Humbert's cell, where he is haunted by visions of the jury (male chorus) and Clare Quilty, the man he killed. This gives Quilty a prominence which, in the book, he lacks until the final pages. It also gives Humbert a false aura of remorse.

Shchedrin's music runs for nearly three and a half hours. Acts 2 and 3 sag, not just because the story itself loses its early frisson, but because there is insufficient dramatic and musical contrast. The three orchestral interludes could easily be cut; so could the banal ditties for two butterfly/bunny girls, which have period flavour but hold up the flow.

Otherwise Shchedrin shows a musical adroitness to match his political reputation as former head of the Russian composers' union. He uses flute choirs and sustained lower strings to cultivate a languid, almost gloomy atmosphere, occasionally interrupted by outbursts reminiscent of a Shostakovich scherzo. The lyrical tone-painting bears a whiff of Barber and Copland; an unvaried lento conjures the monotony of transcontinental car travel. Voices are never covered. The most memorable music is a naive Sancta Maria for boys' choir, haunting Humbert's cell and recalling the lost world of his tragic first love.

The Royal Opera was lucky to find an ideal interpreter for the title role. Lisa Gustafsson, a 25-year old student, had most of the qualities Nabokov so eloquently describes: the "high voice, turned-in toes, agile giggling legs and schoolgirl thighs". In short, she looked and sounded like an emotionally immature pubescent, before transforming herself into a dowdy, pregnant teenage housewife for the penultimate scene.

The baritone Per-Arne Wahlgren made a plausible Humbert – less Nabokov's weak-willed roué than a repressed New Englander in mid-life crisis, hitting the bottle and ultimately resorting to rape. It is a long role, but not vocally exacting. Laila Andersson Palme played Lolita's mother as a big-bosomed, predatory red-head. Björn Haugan sounded comfortable in the high dramatic tenor role of Quilty.

Ann-Margret Pettersson's staging served the work well. The simulated sex scenes lacked the poetry of the book, but only a prude would object. John Conklin's representational sets, inspired by the paintings of Edward Hopper and the American Surrealists, were full of period detail – gas-pumps, lipstick tubes, cigarette packets and patterned sofas. Rostropovich unfolded the score with loving care, but the result was too slow and self-effacing. Performances continue till February 10.

'A high voice, turned-in toes and schoolgirl thighs': 25-year-old Lisa Gustafsson fits the bill in the title role

Opera in Bern

# Bibalo's 'Macbeth'

You will find the Macbeths in every political establishment – the insecure husband, the scheming wife, both playing classic roles in the destructive drama of power. That is the premise behind Antonio Bibalo's operatic version of *Macbeth*, which has just received a successful German-language premiere in the Swiss capital, Bern.

Bibalo chose his subject well. Outwardly successful and fascinating in their fateful loneliness, the Macbeths look credible in whatever clothes you give them, always coming out with their hands covered in someone else's blood. Like Verdi, Bibalo has based his libretto on the Shakespeare play, but he skilfully avoids comparison by creating a dramatic world of his own.

Bibalo (b.1922) grew up in Trieste, studied the 12-note technique with Elisabeth Lutyens in London and settled in Norway in 1956. His music, modern but undemanding, combines Mediterranean colour with Nordic stillness and melancholy. He has written three previous operas, based on texts by Henry Miller, Strindberg and Ibsen. *Macbeth* was first performed in English at Oslo in 1990.

The plot unfolds in 16 scenes over just 90 minutes. Unlike Verdi Bibalo gives Duncan something to sing, includes Shakespeare's porter, but omits the scene in England. The rest is cut to the barest bones. Everything is concentrated on the Macbeths' psychological development. The soliloquies are brief, but the key lines register clearly.

The music tries to conjure the inner world of thought and motivation – not so much in the solo vocal parts, which consist of lyrical declamation and unaccompanied *Sprechgesang*, as in the instrumental and choral writing. Wordless female voices, enveloping the stage in a web of mysterious sound, are Bibalo's most atmospheric device. The orchestra's contribution is limited to gestural flourishes, impressionist strokes and mini-crescendi. The overall result is concise but one-dimensional. I found myself longing for a sense of developing line, of musical argument and contrast.

Bern's municipal theatre deserves credit not just for presenting a new work, but for importing a German production team of proven experience. Kurt Horres' staging, designed by Gottfried Pilz, matched the composer's vision. The bare box-set was white, the costumes predominantly black, making the blood-stained hands and cloaks all the more striking. The sleep-walking scene was particularly effective: Lady Macbeth was confined to a roped-off area centre-stage, observed by psychiatric staff. The three witches moved like invisible sirens of the mind.

Macbeth is a character tenor, his wife a mezzo. With his shaven head and great-coat, Uwe Schönbeck made a very German-looking Macbeth, but gave the part a universal quality, thanks to his intelligent vocal acting and command of the visual language of guilt. Renée Morloc's Lady was young and bewitching. The Bern Symphony Orchestra, conducted by Hans Drewanz, sounded comfortable in Bibalo's fastidious musical idiom.

**A.C.**

The unhappy couple: Renée Morloc and Uwe Schönbeck

Theatre off-Broadway/**Karen Fricker**

# Confused sexual identities

Among the great pleasures of this bustling off-Broadway season is a rare New York stage appearance by Vanessa Redgrave, in *Vita and Virginia*, Eileen Atkins' adaptation of the letters of Vita Sackville-West and Virginia Woolf which played in Chichester and London last year.

Redgrave is in stunning form: few actors look as alive, emotionally and physically, on stage as she, and the passionate, voracious Sackville-West is a character she was born to play. Atkins, here as in the show's English incarnation, plays Woolf, and though her performance brings out the woman's quiet strength, wry humor, and weakening emotional and physical health, even she cannot make sense of the story's abrupt ending: because the script focuses on the women only in relation to each other we have little sense of the factors which are sending Virginia over the edge to suicide. It is a lone weakness in Zoe Caldwell's otherwise elegant and entertaining production, which looks well ensconced at the Union Square Theatre until March, perhaps beyond.

While *Vita and Virginia* feeds America's seemingly insatiable appetite for things English and literary, *You Should Be So Lucky*, another of the season's off-Broadway success stories, is one of those theatrical phenomenons that could only happen in New York. The play marks a turning point in the career of its playwright and star, Charles Busch, heretofore New York's best-known drag performer; it is his first stage appearance as a man.

A modern-day Cinderella story/screwball comedy, *You Should Be So Lucky* concerns Christopher, an agoraphobic gay played by Busch, whose life is transformed when he lends a kind hand to an elderly stranger who turns out to be a millionaire. The conceit is far from original, Busch's storytelling is often clunky, and Kenneth Elliot's production is awkward to the point of being amateurish. But the play's spirit is so big-hearted that its faults end up working it its favour: we are drawn into a world as winningly idiosyncratic as Busch's lovably nebbishy stage presence.

Play and production carry the authentically obsessive flavour of contemporary Manhattan life: everyone is either in therapy or desperately in need of it, and trying to create some sense of community in a world of opportunism, tiny apartments, rampant diseases, and trashy talk shows. A hit at the not-for-profit Primary Stages Company, it has now transfered to the Westside Theatre.

As Busch gives voice to Manhattan's manic spirit, the outer boroughs have an able representative in Danny Hoch, a 23-year-old actor and writer whose solo show, *Some People*, is playing at the New York Shakespeare Festival's Public Theatre.

A multi-character monologuist in the tradition of Anna Deavere Smith and John Leguizamo, Hoch impersonates New Yorkers of different social and racial backgrounds, from an Afro-Caribbean late-night DJ to a middle-aged Jewish mother to a Cuban-American girl in her 20s to a Puerto Rican senior citizen. Hoch is an astonishingly adept mimic, but he is still learning that the strength of his work lies in letting characters speak for themselves; a preachy coda tacked on to the 90-minute-long monologue undermines its subtlety. Nonetheless, it is a stunning debut from a young artist whose politics and aesthetics are bound to shape the next generation of American theatre.

Lesbian English authoresses; a drag queen in trousers; an ethnically politicised monologuist: whence the voice of straight white America? A play by A.R. Gurney, America's premier playwright of White Anglo Saxon Protestant culture, seems a well-timed addition to this diverse theatrical climate, particularly given his present source material: the short stories of John Cheever, the Pulitzer Prize-winning chronicler of New York middle class culture.

But the series of scenes and monologues Gurney has patched together out of these stories, called *A Cheever Evening*, does not add up to much of a play. The vignettes are so brief and Don Scardino's production at Playwrights Horizons so brisk and surface-level that there is no chance to get to know or care about the characters. We are left with a vague, generalised idea of the anxieties and passions underlying this social class's pristine exterior, but without anything solid to hang on to; it is like a dinner party that never gets past the *hors d'oeuvres*.

## INTERNATIONAL ARTS GUIDE

### AMSTERDAM

**CONCERTS**

**Het Concertgebouw** Tel: (020) 671 8345

● Royal Concertgebouw Orchestra: with violinist Sahra Chang. Charles Dutoit conducts Berlioz, Lalo, Stravinsky and Ravel at 8.15 pm; Jan 4, 5

### BERLIN

**CONCERTS**

**Philharmonie** Tel: (030) 2548 8132

● Berlin Philharmonic Orchestra: with conductor Claudio Abbado and soloists Sylvia McNair, Ulla Gustafsson plays Schumann at 8 pm; Dec 30, 31 (5.15 pm)

**OPERA/BALLET**

**Deutsche Oper** Tel: (030) 3 41 92 49

● Siegfried: by Wagner. Conductor Horst Stein, production by Götz Friedrich at 5.30 pm; Dec 27

**Staatsoper Unter den Linden** Tel: (030) 2 00 4762

● Die Zauberflöte: by Mozart. Conductor Daniel Barenboim, production by August Everding at 7 pm; Dec 23, 25, 28; Jan 1, 4, 7

● The Sleeping Beauty: by Tchaikovsky. Conducted by Stolze, choreographed by Nureyev at 7 pm; Dec 26, 27

### LONDON

**CONCERTS**

**Barbican** Tel: (071) 638 8891

● LSO New Year Viennese Concerts: conducted by John Georgiadis, the music of Strauss in this traditional celebration of the New Year at 7.30 pm; Dec 31; Jan 1, 2

● Royal Philharmonic Orchestra: Christmas concert with conductor Owain Arwel Hughes at 7.30 pm; Dec 26; Jan 7

**Festival Hall** Tel: (071) 928 8800

● Johann Strauss Gala: the Johann Strauss Orchestra with director John Bradbury, soprano Marilyn Hill-Smith and the Johan Strauss Dancers plays a programme of music by Strauss. First performance at 3.15 pm, then at 7.30 pm; Jan 1

**OPERA/BALLET**

**Festival Hall** Tel: (071) 928 8800

● The Nutcracker: by Tchaikovsky. English National Ballet and its Orchestra choreographed by Ben Stevenson at 7.30 pm; to Jan 2 (Not Sun)

**Royal Opera House** Tel: (071) 340 4000

● Cinderella: music by Prokofiev. Created by Fredrick Ashton in 1948, this was the first full-length ballet by an English choreographer at 7.30 pm; Dec 23 (2 pm), 26 (2 pm), 27, 30, 31; Jan 3

● Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell at 7.30 pm; Jan 5

● The Sleeping Beauty: a new production of Tchaikovsky's ballet. Produced by Anthony Dowell, set designed by Maria Bjornson at 7.30 pm; Dec 28; Jan 4 (2 pm)

**THEATRE**

**National, Lyttelton** Tel: (071) 928 2252

● Out of a House Walked a Man: by Daniil Kharms. A Royal National Theatre and Theatre de Complicite co-production of a collection of musical scenes by the Russian absurdist writer at 7.30 pm; Dec 23, 26, 27; Jan 7 (2.15 pm)

● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Dec 28, 29 (2.15 pm), 30, 31 (2.15 pm); Jan 2

**Queen Elizabeth Hall** Tel: (071) 928 8800

● Cinderella: by Rossini. The Music Theatre London present this new translation by conductor and musical arranger Tony Britten, and director Nicholas Broadhurst at 7.15 pm; from Dec 27 to Jan 3 (Not Sun)

● Rossini's Cinderella: new translation by conductor Tony Britten and director Nicolas Broadhurst at 7.15 pm; Jan 2 (2.15 pm), 3

### NEW YORK

**GALLERIES**

**Metropolitan**

● Ann Hamilton: exhibition reveals the artist's interest in the relationship between sight and touch; to Jan 3

**OPERA/BALLET**

**Metropolitan** Tel: (212) 362 6000

● Die Fledermaus: by J. Strauss. Sung in German with English dialogue at 8 pm; Dec 29, 31; Jan 5, 7

● Don Giovanni: by Mozart, sung in Italian at 8 pm; Dec 24 (1.30 pm)

● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 2, 6

● Madama Butterfly: by Puccini at 8 pm; Dec 27, 30; Jan 4, 7

● Peter Grimes: by Britten. English at 8 pm; Dec 23, 28, 31; Jan 3

**New York State Theater** Tel: (212) 870 5570

● The Nutcracker: by Tchaikovsky, performed by the NY City Ballet. Tue-Thu 6pm. Fri 8 pm. Ring for other times and matinees; to Dec 31 (Not Mon)

**THEATRE**

**Manhattan Theatre Club** Tel: (212) 581 1212

● Love! Valour! Compassion!: latest play by Terence McNally (of Kiss of the Spiderwoman fame), directed by Joe Mantello. Sun. performance at 7pm otherwise at 8 pm; to Jan 1 (Not Mon)

**New York State Theater** Tel: (212) 870 5570

● Slavs!: Thinking About the Long Standing Problems of Virtue and Happiness. Tony Kushner's latest work directed by Lisa Peterson at 8 pm; (Not Mon)

**Richard Rodgers Theatre**
Tel: (212) 307 4100

● A Christmas Carol: engaging one man show of the classic with Patrick Stewart at 8 pm; to Jan 8

**Vineyard Theatre** Tel: (212) 353 3874

● American Dreaming: by Chiori Miyagawa, directed by Michael Mayer. The story of a Japanese-American mixed marriage with an eclectic mixture of classical and contemporary music from East and West at 8 pm; to Aug 1 (Not Sun)

### BOLOGNA

**OPERA/BALLET**

**Teatro Comunale** Tel: (051) 52999

● Serse: by Handel. An English National Opera of London production at 8.30 pm; Dec 30; Jan 3, 5

### PARIS

**GALLERIES**

**Grand Palais** Tel: (1) 44 13 17 17

● Poussin: 400th anniversary retrospective; to Jan 2

**OPERA/BALLET**

**Châtelet** Tel: (1) 40 28 28 40

● Christina Hoyos: Flamenco choreographed by Hoyos, Marin and Galia, music by Paco Arrigas at 8.30 pm; to Jan 7

**Champs Elysées** Tel: (1) 47 23 37 21/47 20 08 24

● Nutcracker: Tchaikovsky's ballet performed by the Kirov ballet company, St. Petersberg at 8.30 pm; Dec 23, 25, 26, 27, 28, 29, 30, 31

**Opéra National de Paris, Bastille**
Tel: (1) 47 42 57 50

● Swan Lake: by Tchaikovsky. Choreographed and produced by Rudolf Nureyev. Conducted by Vello Pähn/Ermanno Florio at 7.30 pm; to Dec 31 (Not Sun)

### ROME

**OPERA/BALLET**

**Teatro Dell' Opera** Tel: (06) 481601

● Cronache Italiane: ballet in two parts based on work by Stendhal at 7 pm; Dec 23

### WASHINGTON

**CONCERTS**

**Kennedy Centre** Tel: (202) 467 4600

● New Year's Eve at the Kennedy Center: Members of the National Symphony Orchestra perform popular tunes and waltzes at 9 pm; Dec 31

**GALLERIES**

**National Gallery** Tel: (202) 737 4215

● Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the cathedrals of Florence, Pavia and St. Peter's; to Mar 19

**Sackler** Tel: (202) 357 2700

● Paintings from Shiraz: the arts of the Persian book created in the city of Shiraz during the 14th -16th century; from Dec 24 to Sep 24

**OPERA/BALLET**

**Washington Opera** Tel: (202) 416 7800

● Semele: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Jan 7 (7 pm)

● The Bartered Bride: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Dec 31; Jan 2

**THEATRE**

**Olney** Tel: (703) 924 3400

● Cinderella: Rogers and Hammerstein musical version of the classic fairytale, directed by Mark Waldrop at 7.30 pm; to Dec 31

**WORLD SERVICE**

BBC for Europe can be received in western Europe on Medium Wave 648 kHZ (463m)

**EUROPEAN CABLE AND SATELLITE BUSINESS TV**

(Central European Time)

**MONDAY TO FRIDAY**
**NBC/Super Channel:** FT Business Today 1330; FT Business Tonight 1730, 2230

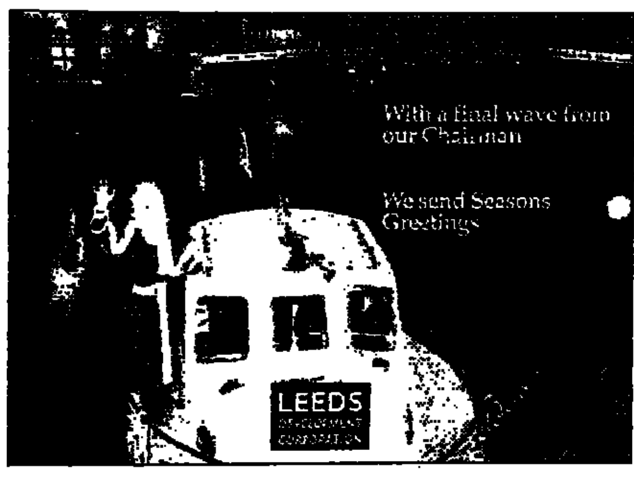
**MONDAY**
**NBC/Super Channel:** FT Reports 1230.

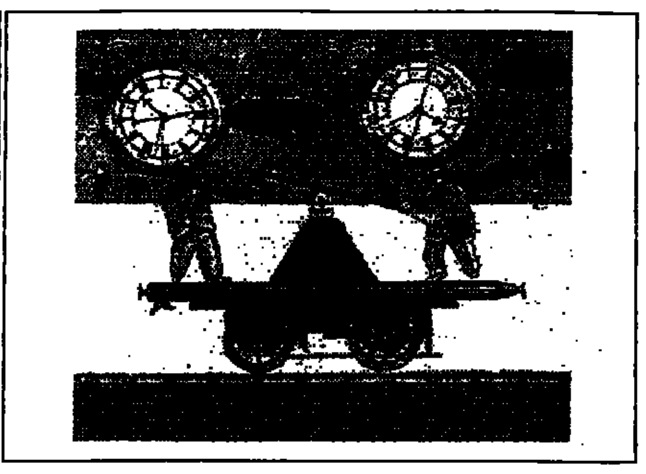
**TUESDAY**
**Euronews:** FT Reports 0745, 1315, 1545, 1815, 2345

**WEDNESDAY**
**NBC/Super Channel:** FT Reports 1230

**FRIDAY**
**NBC/Super Channel:** FT Reports 1230
**Sky News:** FT Reports 0230, 2030

**SUNDAY**
**NBC/Super Channel:** FT Reports 2230
**Sky News:** FT Reports 0430, 1730;



# Better than 'bingle jells'

## Clay Harris surveys this year's corporate Christmas cards

They are piled on your desk, taped to your wall and strung up over your head. Some have been put aside, for their senders to be added to next year's list, others are already on their way to recycling.

Chances are you received more Christmas cards than usual at the office. From organisations you have never heard of, signed by strangers – first names only – in an illegible scrawl. Some, even, with rubber-stamped signatures.

Companies just cannot kick the habit. Apart from a no doubt genuine desire to communicate their good will, the occasion is so good an opportunity to try to make a sale.

And little is sacred. Overt Christian themes are a dying tradition, in honest acknowledgment of the religious, cultural and national diversity of most companies' mailing lists.

The blasphemous mixing of religion, humour and commerce also appears to be declining (or malefactors are being more selective about who receives such cards).

Interregnum Venture Marketing does have a biblical looking star over what *might* be a stable, with the seasonal beatitude "transforming technology into wealth", but that seems to qualify as obscure rather than offensive.

Even more gnomic is the card from Dyson, the UK vacuum cleaner maker. One of two appliances has a star above it. The official explanation is that this represents a Christmas tree, but whispers from Dyson's Wiltshire headquarters suggest it heralds the launch of a new model in February, the second in a "trinity". Please say no more.

Product placement is much more straightforward. Guinness serves up a richly toned photographic still life, an Old Master with a word from our sponsor. The usual accoutrements – fig, walnuts, pomegranates and pine cones – share the picture with bottles of Bell's, Johnnie Walker, Gordon's gin and a pint of stout.

And what good is an ad campaign if it can't be milked? Insurer Direct Line dresses its red telephone in seasonal garb. "Does Santa use Switch? Do children like Christmas?" fits in neatly with the debit card's outdoor poster campaign.

Perrier harks back to a previous ad campaign by sending a large green balloon and instructing: "Bleau". Fizzy nostalgia or discreet testing of the waters for a revival?

Fiat and Vauxhall also implicitly admit things aren't what they used to be by featuring vintage cars rather than current models. Citroën finds a more artistic way for the display of logo that seems mandatory in the motor industry.

Christmas is also a time to lobby. Robert Maxwell appears as a snowman, to underline the Maxwell/AGB Pension Fund Contributors Association's point that its members are "still out in the cold". The Brewers and Licensed Retailers Association sends a cartoon of Father Christmas, reindeer and sleigh coming in over the channel with the observation: "It seems like everyone is doing a beer run to France."

"Let us show you our building" remains a favourite theme of the imagination-impaired. Universities and business schools are frequent offenders, and one hopes for the sake of Sun Alliance Life & Pensions that the night-lit offering of its Horsham HQ does an injustice to the edifice. Daewoo Heavy Industries features a snap of one of its tankers.

"Let us show you ourselves" is even worse. Mockery here would only gratify the offenders, so we will not mention most of them. But the self-aggrandising extravaganza from derivatives traders Intercapital cannot pass unacknowledged. Their cavortings as "merrie men" (and women) are recorded in 12 A4 pages, bound in a green-and-gilt folder.

Leeds Development Corporation sends another execrable card, showing its chairman dressed as Santa on a cabin cruiser. But North West Water depicts a winter's day on Ullswater, and the Scottish Tourist Board makes effective display of the landscape.

Fewer companies send kiddie drawings this year, although Legal and General's childishly abstract three kings come in the colours of the insurer's umbrella logo. The chairman of Mendip district council turned to his wife for the painting on its card. A nice one, too.

There are a lot more cards with railway scenes, an inevitable result of corporate fragmentation in the sector. Most of the UK offerings are suitable for slipping into a train-spotter's anorak, but France's SNCF is more stylish.

Sakura Global Capital wins points for topicality in the year of the derivative. Its card shows Santa packing a parcel with curves, ceilings, floors, caps, collars and other instruments of the financial engineering trade, while wondering "whatever happened to Action Man and Lego". If you like "funny", this is as good as it gets. It is certainly better than a tipsy Santa repeating "bingle jells" 14 times.

Among abstract cards, two of the best were commissioned by the senders: paintings by Sarah Henson for solicitors Nabarro Nathanson and Linda Melia for video processing equipment maker Snell & Wilcox. A Charity Christmas Card Council illustration by Robert Guy, sent by several firms, is also outstanding.

In the "views of London" category, Guinness Flight sent a dramatic photograph of Tower Bridge and frozen River Thames in February 1895. Faintly in the background is the outline of Butler's Wharf, where the fund manager's offices now are.

Martin Ryckaert's *Flight into Egypt*, sent by Schroders, is the best religious card we have seen this year. In the secular branch of high art, Hardy Oil & Gas sent a juicy 19th century *Still Life of Oranges* by Carl Vilhelm Balsgaad.

Perhaps the best overall was one of the simplest, from London PR agency Fishburn Hedges. A blue cover bears a simple green tree in red pot. When the card is removed, holes in the cover create yellow ornaments on the tree.

But if only all cards could be as personal as that received by the FT's banking editor from Lloyds Bank. Looking at the Tavistock streetscape, he pointed to a first-floor window and exclaimed: "I lived in that flat when I was a cub reporter!"

# In a state of resignation

## Robert Graham asks what lies ahead for Italy and Berlusconi

Europe's first experiment of a media magnate in politics ended acrimoniously yesterday, when Prime Minister Silvio Berlusconi handed in the resignation of Italy's 52nd postwar government.

Mr Berlusconi, the owner of the Fininvest business empire who decided to become a politician in January, had been in office only 226 days. For those enamoured of statistics, he was the 28th longest serving premier since 1946.

He was forced to resign to head off the defeat of his battered rightwing coalition in parliament. Defeat became inevitable last weekend when Mr Umberto Bossi, leader of the populist Northern League and one of his two principal partners in government, decided to table a motion of no confidence. Mr Bossi's defection, even though it split the League, left Mr Berlusconi without a working majority in both houses of parliament.

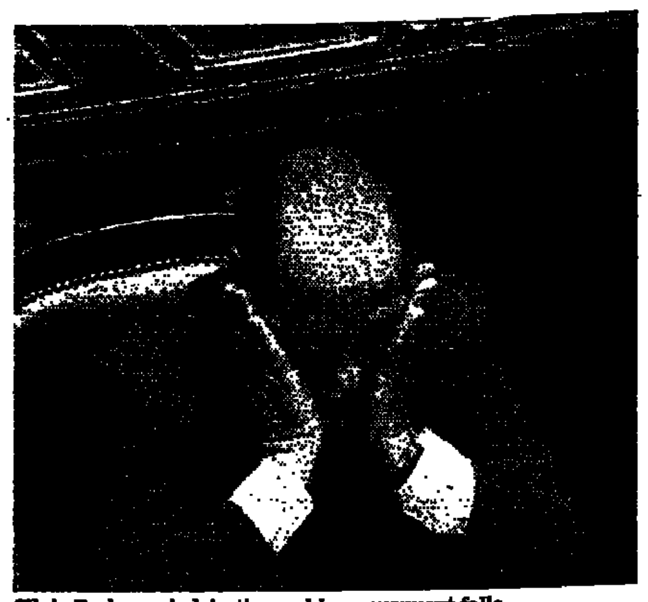
The next step will be up to President Oscar Luigi Scalfaro. He has to decide whether to sustain the life of the present legislature or to impose elections on the country for the third time in four years. Every option carries serious risks for the future political and economic stability of Italy.

Perhaps the most destabilising would be a snap election with Mr Berlusconi heading a caretaker administration. Another election would automatically take a chunk out of the nation's life. Between dissolving parliament and voting in a general election, 60 days must pass. It then takes up to two months for the government to be formed, a confidence vote to be passed and the necessary parliamentary commissions to be staffed.

Mr Berlusconi was asked to form a government on April 28, one month after the general elections. His cabinet team was ready 13 days later and another week passed before all the confidence votes in the two houses were concluded.

A quick dissolution of parliament after Christmas risks leaving Italy with a weak caretaker government for five months, and there is no clear picture of who would constitute the next government: alliances are so fluid.

The League is splitting; Mr Berlusconi's Forza Italia has no coherent structure and even less ideology. Of the bigger groupings, only the former communist Party of the Democratic Left on the left and the neo-fascist MSI/National Alliance on the right have well-defined positions. Amid shifting political allegiances, the country's mood is probably still centre right.


Silvio Berlusconi: dejection as his government falls

But the outgoing government has had little time and even less will to tackle a number of serious issues that will impinge on early elections. The most important are electoral reform, the conflict of interest between Mr Berlusconi's ownership of Fininvest and his position as a politician, control of the media – especially television, the confrontation between the executive and the judiciary over corruption investigations, and the pensions reform needed to tackle Italy's budget deficit.

**The outgoing government has had little time and less will to tackle serious issues**

Going to the polls with the existing electoral system will encourage a confused agglomeration of parties, rather than coherent coalitions with common platforms. The electoral laws, approved in August 1993 as a result of an earlier referendum, introduced a compromise of first-past-the-post voting and proportional representation. All the parties agree that Italy should drop proportional representation. But divisions remain, especially in the Berlusconi camp, over whether to adopt a single round of voting or a second run-off as in France.

On the conflict of interest, Mr Berlusconi has frequently been confronted with problems arising from his ownership of Italy's second largest private group, which is active in a range of economic activities – not least publishing and television. He is also under investigation for alleged corruption while running Fininvest. There was a further reminder of these problems yesterday, when his younger brother and close business associate, Paolo, was sentenced to 10 months in jail for bribery in connection with refuse treatment contracts.

Mr Berlusconi has proclaimed his innocence, while telling colleagues he believes he will be sent for trial by a vindictive Milan magistrature. His own judicial position is unlikely to be clarified during an election campaign.

Another worrying aspect of a snap election would be the outgoing administration's control of the RAI television and Mr Berlusconi's dominance of the commercial networks. The television screen will be the battleground for the hearts and minds of the electorate; and the current opposition could be denied equal opportunity.

There is also a financial dimension. The 1995 budget, approved this week, is already out of date, and additional measures will be needed to find L20,000bn or more in the first half of the year. This is bound to worry the markets – as will the likely slippage in the June target for completing reform of the costly state pensions system.

Against this background, President Scalfaro will want to see if a new parliamentary majority might be feasible. This could be difficult, however, with Mr Berlusconi and his allies, who represent close to half the deputies, opposed to such an idea. Failing this, Mr Scalfaro will probably try to appoint an interim "techno-political" government, to ensure that Italy can go to the polls with revised electoral laws and free from chaos on the financial markets.

In resigning rather than waiting for the outcome of the no-confidence vote, Mr Berlusconi has sought to force the president's hand in favour of elections, as early as March if possible. The outgoing premier even told parliament that any failure to go to the electorate after Mr Bossi's desertion would be defrauding the voters.

Mr Berlusconi's only real chance of political survival lies in pressing for early elections. He could hope for a sympathy vote. Already he is appealing directly to the people: he says all sovereignty resides in the voters, implying that the television audience rather than parliament should be the real judge of his government.

His other allies – the MSI/National Alliance of Mr Gianfranco Fini and the small Christian Democratic Centre – have stood solidly behind him. He will also pick up support from dissident members of the League. But it is questionable how long they will wish to be associated with a man who has shown himself lacking in leadership and political skill. And if he were returned to power, he would face the same problems he inherited eight months back, but magnified by his initial failure.



# LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
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## Power to the people – very Machiavellian

*From Mr Julian Wells.*

Sir, Whatever Machiavelli's faults or merits, as either human being or management consultant ("Pioneers and Prophets", December 19), to say that "empowerment was not in his vocabulary" is true only in the sense that this grisly word had not come into currency in the 15th century.

This is what he said about political turmoil in Rome's republican era: "If tumults led to the creation of the tribunes, tumults deserve the highest praise, since, besides giving the populace a share in the administration, they served as the guardian of Roman liberties." (*Discourses*, 1.4).

In Discourse 58 (roundly titled "The Masses are more Knowing and more Constant than is a Prince") he explicitly concludes that "government by the populace is better than government by princes".

Machiavelli speaks plainly about how to impose or maintain tyranny because he wishes to avoid the consequences of taking would-be tyrants on the smooth face they present to the public.

So no talk of "empowerment" – but then none about "downsizing", either.

Julian Wells,
*lecturer in economics,*
*International Business and Languages,*
*South Bank University,*
*London SE1 0AA*

## BR takes the long route

*From Mr Anthony Sargent.*

Sir, British Rail's "customer care" programme is raising InterCity's in-train announcements to new heights of ingenuity.

On Tuesday, some 10 minutes after a London-bound train advertised as stopping at Milton Keynes had hurtled through the station, the senior conductor reassuringly told us: "You will have noticed that the train did not, in fact, stop at Milton Keynes. I have spoken to the driver about it. He tells me that he had developed a problem which prevented him stopping safely at Milton Keynes. Passengers for Milton Keynes should change at Watford Junction".

The sense of mounting excitement during the remainder of the journey was almost tangible.

Anthony Sargent,
*Springfield House,*
*115 Greenfield Road,*
*Harborne, Birmingham*

## Drastic consequence of biscuit cut-back

*From Dr Geraldine Kave.*

Sir, Your article, "City thefts take the biscuit" (December 20) spells out in detail the pounds (£) saved by solicitors in reducing the consumption of biscuits. Surely of much greater importance would have been to have noted the savings in pounds (lbs).

Geraldine Kave,
*GAAPS,*
*Grafton House,*
*2/3 Golden Square,*
*London W1R 3AD*

*From Mr Stanley Cohen.*

Sir, Re your article, "City thefts take the biscuit", it may surprise everyone that lawyers are not the only firms that experience problems with the dreaded chocolate biscuits. As surveyors we made sure that our clients were well tanked-up with them and, if that also meant that the "workers" benefited by the odd Jaffa cake to improve their performance, so be it.

We took pride in our refreshments. We even provided cappuccinos and, at one stage, hand-made chocolates from my sister's very own chocolate shop.

But the heydays of the 1980s gave way to the tightening of belts of the 1990s and, because our waistlines were drooping over our belts, drastic action had to be taken. We decided to go environmentally friendly. Now we offer fresh fruit and caffeine-free fruit-flavoured tea. It has transformed our business. We now have no clients and only one part-time secretary working for us and she brings in her own sandwiches and flask.

Have we done something wrong?

Stanley Cohen,
*63 Broadway,*
*Stratford,*
*London E15 4BQ*

## Flotation rather than a sale is sound logic

*From Mr Andrew Campbell.*

Sir, Lex (Albright & Wilson, December 14) asks why investors should consider paying more for Albright than the business is worth to Tenneco or trade buyers.

If Tenneco's parenting of Albright is destroying value (a fairly common situation), the chemical business will be worth more as an independent company than as part of Tenneco.

Since speciality chemicals companies mostly perform badly when they are divisions of larger chemical companies, the logic of a flotation rather than a trade sale appears sound.

Andrew Campbell,
*Ashridge Strategic Management Centre,*
*17 Portland Place,*
*London*
*W1N 3AF*

## Government not disingenuous on a minimum wage claim

*From Mr Phillip Oppenheim MP.*

Sir, Your article, "Figures show benefit of a minimum wage" (December 19), suggests that the government has been disingenuous in claiming that a national minimum wage would lead to a fall in the number of jobs.

Denis MacShane's argument, that a number of other countries with minimum wage mechanisms have seen a higher growth in employment than the UK, is deeply flawed. The facts are that those countries quoted and which have seen a significant growth in employment have, in the main, very different types of wage-fixing mechanisms from the sort of national minimum wage which Labour is proposing.

In the US, the minimum wage is currently set at the extremely low level of $4.25 per hour. Moreover, despite coming to power committed to raising the minimum wage, President Clinton has not done so, clearly because of fears about the effect on jobs. In Australia, wages are set at state level; in Japan, there are different industry rates; in both countries, the level is very low.

France and Spain, which are the only EU countries with a national minimum wage of the sort Labour proposes, have significantly higher unemployment rates than the UK.

It is not surprising Mr MacShane finds UK employment performance poor compared with other European countries, as he uses the wrong figure. Mr MacShane claims that employment growth for the UK was 1.5 per cent between 1980 and 1990; the actual OECD figure was 6.4 per cent (recently revised up to 6.8 per cent). When comparisons are based over the economic cycle (1979-90) – the correct way of assessing employment growth – the UK rate of job creation was faster than in France and Spain.

The government believes the only sustainable way to improve real pay is through a combination of enhanced education and training. This will provide people with the skills to obtain better paid jobs together with the framework for monetary stability, low inflation, and a climate for successful investment and enterprise to allow individuals to provide better paid jobs. That we have been successful in this endeavour is indicated by the fact that whereas pay and productivity levels stagnated during the last Labour government, both have risen substantially since 1979.

Phillip Oppenheim,
*parliamentary under secretary of state,*
*Department of Employment,*
*Caxton House,*
*Tothill Street,*
*London SW1H 9NF*

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**FINANCIAL TIMES**

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Friday December 23 1994

# Mr Yeltsin's weakness

Russia has got itself into a terrible and bloody tangle in its latest attempt to hold itself together: the confrontation with the people of Chechnya in the northern Caucasus. It is a battle from which no one is likely to emerge the winner, and which could severely undermine the position of President Boris Yeltsin back in Moscow.

Using columns of tanks against a warrior nation of mountain people can never be sensible, as one might think the Russians would have learnt in Afghanistan. President Yeltsin can have had only one good reason for forgetting that lesson: the need to keep the Russian army quiet, and to appease the increasingly vocal nationalist lobby in Moscow.

In the event, the use of regular soldiers and heavy armour in Chechnya in the largest Russian military operation since the invasion of Afghanistan has had the opposite effect. It has split the army down the middle, and obviously alienated significant numbers of very senior officers. The morale of the troops is rotten. They are no longer prepared to lay down their lives for the empire. And Mr Yeltsin is looking more foolish, not more decisive. He has failed to woo most conservatives, while horrifying most liberals.

This is not to say that the government of Chechnya has right on its side. The so-called independent republic is recognised by the outside world as a constituent part of Russia. Its declaration of independence had no legal basis, and its government, under General Dzhokar Dudayev, is strongly suspected of having links to organised crime. It is no myth that Chechen gangs play a big part in Moscow's rising lawlessness.

Yet by throwing his tanks into the fray, Mr Yeltsin runs the risk of alienating the entire 18m-strong Moslem population of Russia. He has united most of the extraordinarily disparate peoples of the Caucasus against him, bringing back ominous memories of the interminable wars fought by the Tsars of old to force those same warring tribes into their empire.

The Russian leadership has not grasped that it is still in the midst of a process of decolonisation, the unravelling of that empire. Mr Yeltsin started that process, to overthrow Mr Mikhail Gorbachev, and now he cannot stop it. So far the outside world has sought to ignore the problem. It cannot continue to do so indefinitely. It is not up to the west to seek to maintain the borders of today's Russian federation precisely where they are – nor, on the other hand, to encourage a continuing process of disintegration. But it is in the western interest to have a stable Russia, not chaos.

Mr Yeltsin must be urged to provide a constitutional framework to handle those questions of decolonisation which are not going to go away. He should pay attention to the lessons – good and bad – of the end of the British and French empires. He needs an independent body of arbiters to settle disputes – perhaps an oversight body of republican leaders from all over the Russian federation as proposed by the president of Ingushetia, Chechnya's neighbour. Moscow is simply not trusted by its subjects, and the use of excessive force, or the threat of such force, can only have aggravated that perception. Mr Yeltsin is not proving his strength by using his tanks. He is proving his weakness.

# Do well; feel bad

The UK is enjoying a textbook-perfect, export-led recovery. It is unfortunate for the government that the public is unpersuaded of its merits. But that scepticism may also prove disastrous for the economy.

A close connection exists between the excellence of the recovery and the sourness of the electorate. This is a recovery led by exports, not by consumption: in constant prices exports of goods and services rose 10.2 per cent in the year to the third quarter of 1994, while consumption rose only 2.2 per cent. It is a recovery led by manufacturing, not services: real manufactured output increased 5 per cent in the year to the third quarter, while services expanded 3.3 per cent. It is a recovery in which GDP has grown far faster than personal disposable income: GDP in constant prices expanded 4.1 per cent in the year to the third quarter of 1994, while real disposable income rose a mere 1.5 per cent.

Neither the rate of growth nor its pattern was expected a year ago, but they are explicable. One side of the story is the indebtedness of the personal sector, the flat housing market and the sluggishness of borrowing. The other side is the unplanned devaluation of September 1992, reinforced by the unexpectedly rapid recovery of the European economy. Partly because the depreciation occurred when inflation was low and the recovery had just begun, partly because consumers were suffering from the after-effects of their excesses of the late-1980s and partly because Messrs Lamont and Clarke introduced increases in taxation amounting to 1.2 per cent of GDP in 1994-95 alone, this devaluation has worked – so far.

One result is the improved balance of payments. The current account surplus of £0.8bn in the third quarter was the first since early 1987. Even the visible deficit was only £1.5bn (about 1 per cent of GDP), as against £2.4bn in the second quarter.

So the economy is doing well and, as in a mirror, the public is feeling bad. But nothing could be better than such a recovery. Surges in exports promise an output expansion with consumption following, sustainably, behind. Nothing would be more disastrous than another rapid increase in consumption. That is why the latest interest rate increase and the tax rises to come are what the economy needs.

They are not, however, what the public – or the Tory party – wants. The government has stumbled on the right mixture of a competitive exchange rate, flexible markets, and fiscal and monetary prudence. It has promised Nirvana before, been believed, and been wrong. Now it is not believed, but is right. Another U-turn is all too likely, however, precisely because it is mistrusted. If so, the sceptics would be proved right after all. It is a funny old world.

# Force of destiny

When Mr Silvio Berlusconi's Forza Italia won the general election in March, many Italians believed he represented the best chance of resolving the country's economic and political difficulties. That hope has crumbled into dismay. Far from providing solutions, Mr Berlusconi has become one of the chief problems. By announcing his resignation as prime minister yesterday, but suggesting that he should stay on pending new elections, Mr Berlusconi is compounding Italy's uncertainties.

Forza Italia's partners, the Northern League and the neo-fascists, shoulder some of the responsibility, but most of the blame for his coalition's failure falls on Mr Berlusconi. He has shown insufficient energy to tackle Italy's debt and deficit crisis. He has become entangled in the corruption investigations which brought down the previous political establishment. And he has proved unable to put distance between himself and his media interests, now linked still more closely to his own political future. Earlier this month, Mr Berlusconi's ownership of three commercial TV channels was judged unconstitutional. His chances of resolving this issue to his own satisfaction may depend directly on his ability to remain in power.

The state broadcasting organisation can be added to the string of Berlusconi supporters in the media. So he would have considerable scope to gather a strong sympathy vote in a short and probably vitriolic campaign targeting, in particular, the Northern League. Another election less than a year after the previous one would, however, resolve next to nothing. If it was conducted under the present unsatisfactory mix of proportional representation and majority voting, neither the parliamentary line-up nor the dilemma of how to form a cohesive government would be substantially changed. Yet external circumstances, determined partly by the international financial markets, would be even more trying than in March.

Italy's immediate political destiny depends on President Oscar Luigi Scalfaro, who can dissolve parliament, as Mr Berlusconi wants, or entrust another leader with the prime ministership. Since the first option would lead to a dead end, the right course would be to seek a broad-based government drawing its legitimacy from the parties voted into parliament last March, including some representatives of Forza Italia.

An interim government of an institutional character similar to that of Mr Carlo Azeglio Ciampi in 1993-94 would need a specific mandate geared to restructuring social security financing, clearing up the muddle over broadcasting control, and bringing in a new electoral law. This would be, at best, a breathing space. But it would give Italy a glimmer of an opportunity to tackle problems that Mr Berlusconi has done so much to highlight and so little to resolve.

**John Plender** explains why bond market investors have had a more exciting year than they might have expected or wanted

# Not such a safe haven

Bond markets are supposed to be the natural haven for investors who want a secure income and minimal excitement. In 1994 they have been more like a high-tech adventure playground in which the electronics have gone awry.

The collapse in bond prices around the world prompted by a quarter-point increase in US interest rates in February has continued to reverberate, leaving many governments with unsustainably high real borrowing costs.

How, with the benefit of hindsight, can these gyrations be explained? And what do they tell us about the state of the financial system?

As with most seismic upheavals in capital markets, the starting point is monetary policy. Throughout 1993, this was lax in the US as a result of the Federal Reserve's continuing efforts to prop up the US banking system.

Looking back, it is clear that monetary policy remained loose for longer than was necessary. By the end of last year, excess liquidity had spilled over into foreign markets. A global bull market in bonds turned into a bubble.

As the charts imply, US investors' foreign purchases of bonds and equities reached an unprecedented peak in 1993. It is fashionable to attribute this to US pension fund investors' new-found enthusiasm for international diversification. Yet the subsequent plunge in the outflow of dollar funds suggests that this was less important than two other, more speculative forces.

The first was the response of US retail investors to disappearing inflation. Just as unanticipated inflation in the 1970s penalised those who held long-dated fixed-interest securities and forced them to save more to offset the decline in the value of their real capital, unanticipated disinflation in the 1990s penalised people who held short-term assets. It deprived them of income as nominal interest rates fell.

US depositors, including many unsophisticated pensioners, deserted the banking system in the 1990s for higher-yielding bond mutual funds (the American equivalent of unit trusts) or for equity funds that appeared to hold out the hope of capital growth. Yet as capital values rose and the yield on US Treasuries came down, the mutual funds, in turn, were forced to scour global markets for higher income. They became panic buyers of high-yielding paper in the more outlandish economies of Latin America and Asia.

That was the unleveraged part of the story, since mutual fund investors were speculating chiefly with their own money. The second force behind the bubble came from the commercial banking system, where the banks were using other people's money to take a huge speculative position on bonds. They did so in response to clear signals from the Fed chairman Mr Alan Greenspan.

Part of the Fed's strategy for restoring the profits and capital of a banking system burdened by bad debts in property was to keep short-term interest rates artificially low from early in the decade. The banks could thus borrow cheaply from depositors to invest in higher-yielding longer-term government IOUs.

As long as everyone knew that the market was being rigged in the banks' favour to avoid a credit crunch, the mismatch in the maturity of assets and liabilities was riskless. So the commercial banks entered 1994 with more than $300bn of public sector debt on their books.

With the Fed providing a safety net, it was not surprising that small amounts of capital should support larger and larger speculative positions on bonds – leverage, in a word. What was surprising was that, when Mr Greenspan indicated in January that the time had come to tighten policy, the momentum was such that nobody in the markets responded. Only after February 4, when people confronted a worldwide margin call as banks demanded more collateral for their loans, did the financial community wake up.

Why was the fall-out so severe? The extent of leverage in the system – which multiplied the loss arising from a modest increase in interest rates – provides one answer.

The misnamed hedge funds which borrowed vast sums to speculate in the market were merely the tip of the iceberg. As we now know, everyone from the treasury department at Procter & Gamble to the officials at Orange County, California, had taken to behaving like hedge fund managers: they were punting, not hedging.

So, too, had the US investment banks. Their collapsing profits this year are symptomatic of a wider shift in the culture of finance towards high-octane trading on their own account.

The resulting increase in leveraged dealing activity helps explain the volatility and extraordinary foreshortening of response times in the markets. In effect, a bear market adjustment that might once have been spread over years took place in a matter of weeks.

And as the tide of liquidity retreated, the conflicts of interest inherent in the banks' new trading focus emerged. US industrialists discovered their treasurers' "hedging" activity consisted of buying complex derivative products from Wall Street about which Wall Street knew more than the treasurers.

Yet derivatives – swaps, forwards, options and the rest – have, like the hedge funds, received a disproportionate amount of blame. Orange County's $2bn losses had more to do with the use of "repos" – sale and repurchase agreements – than derivatives.

And one of the biggest new sources of volatility in the system, collateralised mortgage obligations (CMOs), are not really derivatives at all. Yet they have been responsible for a whiplash effect in bond markets all across the world.

One of the problems of a US-style mortgage market, where fixed-rate mortgages are packaged and turned into securities for investors, is that the outstanding life of those mortgages changes with interest rates. If interest rates rise, mortgage borrowers have an incentive to hold on to their mortgages longer, since their interest burden is lower than at the new going rate. If rates fall, they have an incentive to repay the mortgage sooner and to take out a cheaper one.

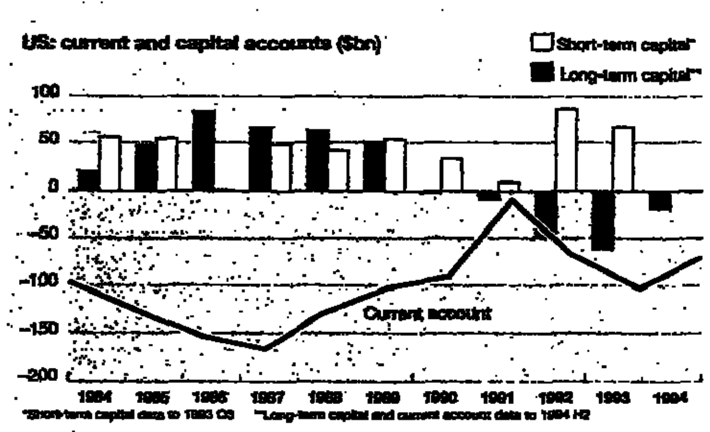
Institutional investors that use CMOs to match fixed liabilities or to speculate are thus obliged to hedge against potential changes in the life of their mortgages. Immediately after the Fed tightened in February, the duration of the mortgage component of the Lehman Brothers Bond Index, covering $1,200bn of outstanding mortgage paper, rose from 3.47 years to 4.35 years.

Analysts at J.P. Morgan calculated at the time that to offset the increase in the duration of the portfolio, investors would have had to sell $140bn of 10-year Treasury bonds or nearly $250bn of five-year Treasuries. Current estimates of such short positions range even higher.

These sums are huge, even by the standards of the bond markets. They explain a great deal of this year's selling and hedging activity in bonds and derivatives markets. They also offer a clue to why the futures markets' implicit forecasts of interest rates often appear so much more bearish than most commentators' assumptions. The sheer weight of money has probably been defeating arbitrageurs who would normally iron out such anomalies, not least because they have been the victims of margin calls from their own bankers.

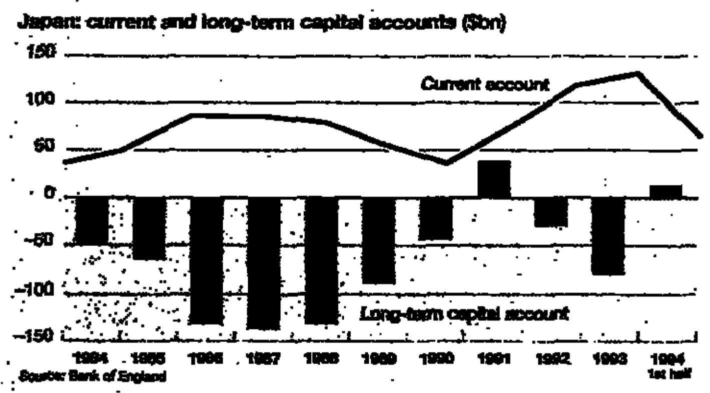
**Bond markets: global gyrations**

US: current and capital accounts ($bn)




*Short-term capital data to 1993 Q3 **Long-term capital and current account data to 1994 H2

Japan: current and long-term capital accounts ($bn)



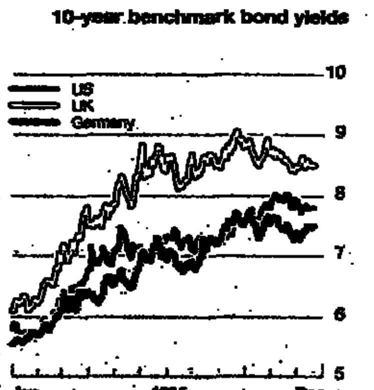

Source: Bank of England

Benchmark government bonds

| | Feb 3 | Dec 21 | % point increase |
|---|---|---|---|
| Australia | 6.50 | 10.15 | 3.65 |
| Belgium | 6.52 | 8.38 | 1.86 |
| Canada | 6.50 | 9.00 | 2.50 |
| France | 5.79 | 8.14 | 2.35 |
| Germany | 5.71 | 7.51 | 1.80 |
| Italy | 8.55 | 12.32 | 3.77 |
| Japan | 3.69 | 4.49 | 0.88 |
| Spain | 7.81 | 11.48 | 3.67 |
| UK | 6.36 | 8.49 | 2.13 |
| US | 5.76 | 7.80 | 2.04 |

Source: Datastream

10-year benchmark bond yields




Source: Datastream

The leverage in the system is still unwinding, as the US regional banks' provisions against losses on bond portfolios underline. Yet the new volatility of the bond markets is not exclusively explained by technical factors. Distortions to the underlying pattern of global capital flows are also to blame.

The natural flow of capital across the world is from Japan, with a current account surplus in 1993 of $131bn, to the US, with a current account deficit of $109bn. Yet as the accompanying charts demonstrate, long-term capital flows run counter to the financial requirements of the two economies. The US, despite the need to finance a large current account deficit, has become a long-term capital exporter. The resulting leakage of portfolio funds from the world's biggest debtor country weakened the dollar against the yen.

Japanese investors, having lost billions on their US Treasury stocks in the 1980s, are no longer prepared to act as stabilising speculators to underpin the price of dollar assets. This means more of the US balance of payments financing burden has fallen on short-term bank finance and central bank purchases for the official reserves – a recipe for unstable currency and bond markets.

Instability is made worse by a new capital regime for Japanese life companies, which imposes a heavy risk-weighting on foreign bonds relative to domestic bonds. Higher yields outside Japan are an attractive match for the life companies' fixed income obligations on policies. Yet the rules encourage them to take only short-term speculative positions in foreign markets.

A more fundamental explanation for the rise in bond yields this year has simply been the increasing demands made on the global pool of capital as economic recovery raised the demand for finance. According to Mr Michael Hughes of Barclays de Zoete Wedd Securities, the real economy competed with the capital markets for funds this year, and won.

In January there was an overwhelming consensus that, while the interest rate cycle in the US was on the turn, European bond markets would provide a further leg to the bull market since Europe was pulling only slowly out of recession.

In the event Europe – along with the rest of the Organisation for Economic Co-operation and Development area – saw a far greater upsurge in manufacturing output in 1994 than the forecasters expected. The perception of accelerating growth played as important a part in the movement of bond prices as the Fed's decision to tighten policy.

If the rise in yields in the British index-linked gilt market is any guide, this factor accounts for a little under 1 per cent of the rise in bond yields since February. The remaining rise in yields over the year in the accompanying table has much to do with increasing worries about credit risk.

There has been a flight from countries with a large outstanding stock of debt and a history of devaluation. In the case of Canada and Italy, the financial concerns are compounded respectively by the fear of separatism in Quebec and the weakness of the Italian political structure.

The market's worries about first world debt reflect a generalised decline in public finances. In the 15 years to 1992, gross national saving as a percentage of gross domestic product fell from 23.5 per cent to 19.4 per cent in the OECD area. Over the same period net public debt rose from 21.2 per cent of GDP to 36.7 per cent, and is projected by the OECD secretariat to rise to 43.9 per cent by 1995. These figures make no allowance for rapidly growing unfunded pension liabilities.

Governments find it easy to default on their pension promises: Germany and the UK already have, by downgrading the benefits in their state pension systems. But will governments also default on their debts to investors, either internally through inflation or externally through devaluation?

As long as real rates of interest exceed underlying real growth rates in the more heavily indebted first-world countries, default is an issue that becomes harder to ignore. Yet it is striking that governments are increasingly using their regulatory powers to give themselves breathing space in financing large structural budget deficits.

Apart from the new Japanese life assurance regime, minimum solvency requirements for US pension funds include an inbuilt bias in favour of bonds. There must also be some likelihood that the regulatory backlash in the US Congress over Orange County and other scandals will push institutional investors even further in this direction, notwithstanding the current enthusiasm for balanced budget legislation.

In the UK, pension funds will shortly be encouraged by a new minimum solvency regime to increase their bond holdings. Many are doing so already, in response to the maturing of their liabilities. Across the European Union, the decision to drop the recent pension fund directive liberalising capital flows in the single market will perpetuate domestic constraints on overseas investment and a bias in favour of government bonds.

While such regulatory market-rigging provides some protection against a foreign bond-investors' strike, it usually does so at the price of raising the borrowing country's cost of capital and increasing bond market volatility.

In the banking system, meanwhile, the Bank for International Settlements' capital regime accords a zero risk-weighting for government borrowers. This encourages a distortion in favour of those countries that the bond markets regard with most suspicion – and is a recipe, ultimately, for a repeat in Europe of the Latin American debt crisis.

The government borrowers' best hope must be that the political climate will permit fiscal adjustment on a sufficient scale to bring the bond markets round. An important lesson of 1994 is that, if the bond markets buy the story, the whiplash will prove quite as devastating on the way up as on the way down.

# OBSERVER

## Aladin's lamp in Grozny

■ What was the chief of Jordan's military intelligence – Ahmad Aladin Arsala – doing recently in Grozny, the Russian-besieged capital of Chechnya? To say that he was having a cosy chat with Russif Shamsuddin – Chechnya's Jordanian-born foreign minister – hardly clears up the mystery.

The waters are further muddied by news that one of Jordan's leading parliamentarians has now begun enlisting volunteers to help the Chechnyan resistance fight Russian troops.

For an insight, step back to the early 19th century, when the Ottomans set up a military garrison in (what is now) Amman, employing conscripts from the Caucasus. When Prince Abdullah, King Hussein's grandfather, became the first ruler of the emirate of TransJordan in 1921, he won Circassian and Chechen hearts and minds by giving important government posts to their nationals.

Today, Jordan's 80,000-strong Caucasian community remains fiercely loyal to their adopted country: an elite group acts as the ceremonial bodyguard to King Hussein.

But they also retain strong feelings for their Caucasian roots. Since the Russian-Chechnya conflict erupted, many more than usual have taken advantage of the resumption of flights to Moscow by the Royal Jordanian airline – including a delegation of Circassian political figures from Jordan, accompanied by Ahmad Aladin Arsala.

This plot is positively congealing; even Jimmy Carter may need more than a couple of days to square the Circassian circle.

## Drooling Yule

■ For some peculiar reason people doing unusual jobs are at this time of year granted space to tell us how they will spend Christmas day. In yesterday's Evening Standard magazine, television announcer Richard Straker says that, in such an exposed job, "as soon as something goes wrong everybody notices". How true.

Nevertheless, he's looking forward to working on December 25: "I actually enjoy working on Christmas Day. In the past 10 or 11 years I must have done it a dozen times."

## Global insult

■ Just in case Warburgs' chief executive Lord Cairns has not yet received his Christmas card from Morgan Stanley, Observer warns him not to be too upset at its contents. People entirely unconnected with the merger flop are getting the same.

Not that Cairns need take exception to the decorous cover – the *Angel Musician* by Rosso Fiorentino. But the enclosure: a blue stress ball with a picture of a globe and the legend Morgan Stanley etched upon it – together with the card's message, "Season's Greetings and best wishes for a stressfree 1995!" – might be regarded as a bit below the belt.


'The turkey's escaped'

## Abracadabra

■ How humiliating. The World Trade Organisation invited photographers to turn up on December 31, to capture the birth of the world's most powerful trade body – and not a single hack accepted.

So earlier this week Peter Sutherland, the WTO's caretaker, tried a different tactic. Journalists assembled at a convenient hour, Sutherland took down the Gatt name plate outside the Geneva HQ and replaced it with the WTO's. Champagne corks popped; the historic moment was snapped. Then a lowly official took down the WTO plate and replaced it with the Gatt sign *pro tem*. Not the best augury for the new dynamic organisation.

## Silent night

■ Even Muscovites seem to be engaging in a little peace and goodwill. Moscow police reported yesterday that not a single murder occurred during the 24 hours from Tuesday to Wednesday (the daily average is four): the first day this year without a killing.

## Wily Wambold

■ Lazards' Ali Wambold is a fast mover. He popped up on the Tomkins board a few weeks ago, but yesterday abruptly changed his mind about joining that of Saatchi.

The *volte face* may have been prompted by the fact that he reassured Maurice Saatchi that it would be wrong for the board to kick him out – and the rest of the board took no notice.

In a letter to Saatchi on December 13, Wambold wrote: "Directors of a public company, in both the US and the UK, have a fiduciary duty to act in the best interests of the company as a whole, not of any particular group of shareholders ... It is not possible for the board to delegate its obligations to shareholders even if it risks being ultimately overruled in a shareholder vote."

S.G. Warburg disagreed, advising the board that because it almost certainly would lose a shareholder vote on Saatchi's future, he would have to go – and he did.

## Penang party-goer

■ Surely Kenneth Clarke deserves a well-earned Christmas rest? He has licked Britain's balance of payments problem, conquered inflation and got the economy growing at more than 4 per cent a year. Time to relax.

Not a bit of it. While the nation rests, Britain's chancellor of the exchequer will be back at work on Wednesday, holding his regular monthly monetary policy meeting with the governor of the Bank of England. Then he is off for a fortnight's business trip to the Far East, where he will be in Penang on New Year's eve. Not a bad place for a party, according to aficionados.

## Dig this

■ Best cracker joke to date. Why did the archaeologist go bankrupt? Because his career was in ruins.

FINANCIAL TIMES
Friday December 23 1994



Strong 'invisibles' trade figures end deficits

# UK current account back in surplus after 7 years

By Peter Norman, Economics Editor

Britain's current account balance of payments moved into surplus for the first time for 7½ years in the third quarter of this year.

The Central Statistical Office confounded City expectations of a modest deficit by announcing yesterday a seasonally adjusted surplus of £846m ($1.3bn) in the three months to the end of September compared with a revised deficit of £1.1bn in the second quarter and a deficit of £2.09bn in the third quarter of 1993.

The current account has been the bugbear of governments since the second world war. News of the first surplus since the first quarter of 1987 was seized upon by Mr Kenneth Clarke, the UK chancellor, as "crowning an excellent year for the British economy". Speaking on a day in which a MORI poll for The Times showed support for the government at a new low, Mr Clarke said Britain was "selling more goods and services abroad than at any time".

Other official figures showed a slight easing in the rate of economic growth to 4.1 per cent in the year to the third quarter from an estimate last month of 4.2 per cent, calming fears that interest rates might have to rise early in the new year. At the same time, reports of a late surge in Christmas shopping held out the hope that retail sales in December would grow compared with last year.

The improvement in the current account reflected a sharp jump in Britain's "invisible" surplus from trade in services such as banking and insurance and investments abroad.

That jumped, according to yesterday's provisional figures, to £2.37bn in the third quarter from £1.32bn in the previous three months, and more than offset the deficit on visible trade, which fell to £1.52bn from £2.43bn.

However, part of the higher invisible surplus reflected potentially erratic movements in the volatile investment income account. In particular, it was boosted by British banks reporting £700m of net earnings from interest rate swaps in the third quarter, which may be subject to later revision.

The investment income surplus increased between the second and third quarters to £2.73bn from £2.18bn. An improved performance by financial services, including insurance, helped to raise the surplus from trade in services to £1.39m from £822m. Offsetting those components, the deficit on transfer payments increased to £1.75bn from £1.68bn.

According to Ms Alison Wright, the director-general of British Invisibles, a trade body, the UK's private sector invisibles balance recorded a record surplus of £13.4bn in the first three quarters of this year compared with £10.8bn for the whole of last year.

Details, Page 7
Editorial Comment, Page 15
See Lex

# Congressman's book deal proves a mixed blessing

By Jurek Martin in Washington

Santa Claus has come early for Congressman Newt Gingrich, the next speaker of the US House of Representatives. But the Christmas present – a book advance said to be worth $4m – has been instantly transformed into a distinctly unholy row.

*The congressman's office* yesterday confirmed a report in the Washington Post that Mr Gingrich would soon sign a contract with Harper-Collins, the New York publishing subsidiary of Mr Rupert Murdoch's News Corp, for two books. He would write one about his own political philosophy and edit the other, a political anthology.

The report, quoting publishing sources, put the advance at $4m and an aide to *Mr Gingrich* said: "That's about the figure I've heard."

Whatever the sum, it far exceeds the congressman's previous literary earnings, such as the modest $15,000 commission he received last year to write an as yet unpublished novel.

Not surprisingly, the White House jumped all over the story *yesterday. Ms Dee Dee Myers, in* her last day on the job as press secretary, said the deal "raises some very important questions", such as the "size and timing" of the payment.

Mr James Carville, President Bill Clinton's campaign manager in 1992, was typically more to the point. "This is the first guy who tried to cash in before he was sworn in. Are you sure he's not going to give it to some orphanage?" – an allusion to one of the next speaker's solutions for the US's welfare problems.

Mr Gingrich hit back: "What more do I need to say? Conservative books sell. I can't help it if liberal books don't sell."

Harper-Collins has recently published several books by prominent conservatives. Its authors include Mr Dan Quayle, *the former vice-president, and* Mr Oliver North, architect of the Iran-Contra scandals who last month narrowly lost a senatorial election in Virginia.

Nor is it being overlooked that in the late 1980s, Mr Gingrich led the charge against a previous Democratic speaker, Mr Jim Wright, for having entered into a "sweetheart" publishing deal of his own. Mr Wright was eventually forced to resign. Mr Gingrich does not appear so inclined.

# Cunard chief to face QE2 passengers

By Richard Tomkins in New York

Mr John Olsen, chief executive of Cunard, the UK cruise line, was preparing to board the Queen Elizabeth 2 cruise ship in New York yesterday to avert a threatened sit-in by 150 passengers angry over conditions on board.

Passengers have complained of "building site" conditions, "stinking" swimming pools and closed *facilities resulting from delays* in completing a £30m refit.

The QE2 was expected in New York at 8pm local time after a stormy crossing. Some passengers were due to disembark and others to join the vessel before it continued to the Caribbean.

Mr Olsen, appearing at a press conference in New York, acknowledged that there had been difficulties aboard the vessel. Asked to comment on reports of exploding toilets, he said the biggest single issue had involved the plumbing.

"It's an extremely complicated science to get it right, and there were cases of foreign objects and soiled water in the cabins," he said. But he added that either the trouble had been fixed, or the *people affected had been moved* to other cabins.

Mr Olsen also acknowledged that two of the public areas, the Lido and the Yacht Club, had been out of action during the voyage, but said they were now open. He said he would be using them to address all the passengers in two assemblies when the vessel arrived.

He promised to meet the protesters, including Mr Peter Ludlow, who has emerged as a spokesman, and hoped to persuade them to co-operate in disembarking "in an orderly fash*ion" so that Cunard could* deliver "as near a normal service as can be provided" to passengers continuing the voyage. The liner was due to leave at midnight.

Mr Olsen said Cunard originally expected the QE2 to leave New York with about 1,400 passengers aboard. Instead it would only accommodate 750, about 250 of whom had joined it in Southampton and the rest of whom would join it in New York. Among those disembarking would be 300-400 contractors who had been working to complete the refurbishment during the *transatlantic* voyage.

Responding to the criticisms that the vessel was like a building site, Mr Olsen said: "We did have a certain amount of interreaction between the workers and our passengers and the crew which was largely reasonable, but which in some stages was not all it might have been."

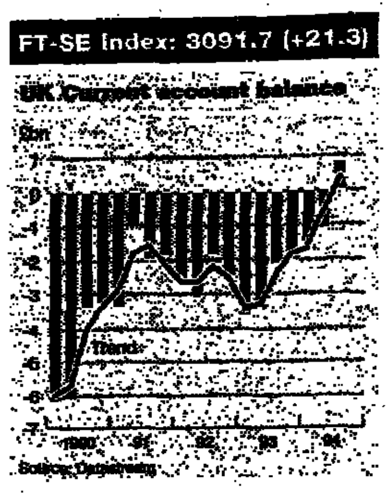
Mr Olsen said the QE2 was like a "national heritage monument" in the UK and it was astonishing *how much attention the ship* created.

He refused to say whether Cunard would sue the contractors, *but said everyone involved in the* refit knew the tight time frame and had signed up to it.

THE LEX COLUMN

# Tequila sunset

FT-SE Index: 3091.7 (+21.3)




Emerging markets enthusiasts have been faced with the prospect of a nightmare before Christmas. The Mexican devaluation set off a whiff of *panic that spread from central* America all the way to Argentina.

With hindsight, the Mexican devaluation seems inevitable. The country funded its huge current account deficit through capital from abroad, especially the US. Foreign investors were content to provide funds as long as they ran no currency risk – the peso was pegged to the US dollar – and Mexican interest rates were double those in the US. But a combination of higher US rates and Mexican political crises reversed *the flow of funds. With* the government's limited foreign currency reserves quickly running out, the logical response was a devaluation capable of correcting the deficit by cutting imports and boosting exports.

The theory of devaluation was economically justified, but poorly executed. The subsequent débâcle threatens to *scatter six years of stability* to the winds. Overseas investors have taken a bath. While the equity market may have weathered yesterday better than expected, the peso's fall knocked another 10 per cent off the value of foreign investors' portfolios. Future prospects are not rosy. Corporate earnings in the final quarter will suffer from increased financial charges on their dollar debt, while economic growth could slow because of increased interest rates. Bargain hunt*ers may return once the currency has* stabilised, but bruised investors may well conclude Latin America remains as unreliable as ever.

## UK economy

A current account surplus for the UK is exciting by its very novelty. The last time the country posted a quarterly surplus was in 1987. The chancellor's enthusiasm yesterday was therefore wholly understandable. Whether the surplus remains sustainable is another matter. Exports, which have put in a powerful performance so far this year, should not be the problem. Take the *automotive* industry: year-on-year quarterly car production was up 11.5 per cent. While output for the home market was up only 2.6 per cent, production for export rose 27 per cent. Such achievements should be sustained in this and other sectors as the continental economies continue to recover.

The difficulties lie on the imports side. Domestic consumption may have stayed depressed over the past 12 months, but that is no guarantee it will remain so next year. The quarter-on-quarter increase in the personal saving ratio from *9.6* per cent to *10.5* per cent indicates the possibility of a recovery in consumer confidence. So, too, does the improvement in employment prospects. Imports could also be boosted by an increase in industrial investment. Corporate liquidity is high, but investment this year has been hesitant. With many industries running close to capacity, the corporate sector will have to start installing machinery often imported from overseas. The chancellor can afford to *crow over his quarterly surplus*, but not too loudly. It could deteriorate into deficit all too quickly.

## Bundesbank

In 1993 and 1994, the Bundesbank cut short-term interest rates despite ballooning growth in M3 money supply. Next year, the opposite could happen: M3 growth will slow or be altogether reversed, but interest rates are likely to go up. Special factors can be blamed for the fluctuations but, as a practical matter, monetary policy has become divorced from money supply targeting. Yesterday's decision to leave unchanged the M3 target for next year does not the hold the key to what happens to German short-term interest rates next year. More important is the outlook for medium-term economic growth and inflation. On the inflation front, the picture for the next six months is encouraging: by spring, headline inflation is set to fall to close to the Bundesbank's 2 per cent target. Thereafter, inflation is set to rise as the economic recovery gathers pace.

Third-quarter gross domestic product figures showed a marked acceleration in growth, suggesting that domestic demand is taking over from exports as the engine of recovery. With German GDP growth forecast to come in at 3.1 per cent this year and next, industry is working at close to full capacity, adding to price pressures. The wage round is another risk, and it is distinctly possible that the government will resort to further inflationary *tax increases in 1996 in* an attempt to plug its spending shortfall. As always, monetary policy is a balancing act, and the Bundesbank will be mindful of the impact of January's solidarity surcharge on consumer confidence. But the likelihood is that the Bundesbank will launch a pre-emptive strike to nip future inflation in the bud.

## Northern Electric

Northern Electric's first letter to *shareholders* gives little sense of a defensive strategy against the Trafalgar House bid. But Northern can afford to take its time.

A government special share and a restriction on ownership of more than 15 per cent of a regional electricity company should both be removed by early April. But referral to the Monopolies and Mergers Commission could frustrate the battle.

The current share price, 4 per cent below the cash offer, suggests expectations of a referral. This might be impossible to pursue on commercial grounds, but the justification of "public interest" provides sufficient breadth to squeeze through a referral. A desire to establish a framework before a likely glut of other bids, together with pressure from politicians, could mean a decision which is clearly against the interests of shareholders in both companies.

Even so, the bid would be unlikely to be blocked. And referral could give Northern six months to sharpen its defences, before predators returned. As one regional electricity company is very much like another, the defence will have to bring out the attractions of the sector as a whole. However, Northern will also have to emphasise its individual allure, and this will probably be done through hard cash. It has next to no debt, and could well afford to reward loyal shareholders with special dividends. Referral talk has depressed Northern's share price, but it still remains in play. Shareholders should be patient.

# Deal on EU fish dispute

Continued from Page 1

traditionally fished in the Irish Sea and Bristol Channel anyway.

Mr Waldegrave said: "I would have liked to have [kept] the Celtic Sea as well," but "it was clear that we weren't going to get that". However, he insisted, the main point was that "there will be no Spanish free-for-all".

Eurosceptic British Conservative party MPs, however, *attacked the deal, saying the gov*ernment had submitted to "blackmail" from Spain and Portugal.

# Peso continues to fall

Continued from Page 1

finance minister, flew to the US yesterday for talks with US government officials, and also spoke to big institutional investors in an attempt to calm nerves.

"We took a pretty hard hit," said a senior finance ministry official. "We had to let it [the trading band] go." The official said international reserves currently stood at about $7bn, down about $10bn from November 1.

*The IPC index, the main indica*tor of the Mexican stock market, was up 3.21 per cent after zigzagging all morning. But Mexican equities in New York were off sharply, with the most actively traded stock – Telmex – trading at $40¾, down nearly 10 per cent.

Analysts said the devaluation would make the Mexican government's 1995 forecast of 4 per cent economic growth and 4 per cent inflation obsolete.

Government officials stressed that the 1995 budget would remain balanced, even if it meant contracting government spending *in order to compensate for losses* in tax revenue and an increase in debt service payments.



## FT WEATHER GUIDE

### Europe today

A zone of high pressure will ensure dry and calm conditions in the UK, throughout the Low Countries, in Poland and in central Russia. Conditions will be generally cloudy with *widespread, persistent fog.*

Northern Ireland and Scotland will have rain.

A zone of low pressure over the Mediterranean will cause rain and showers from Italy to south-eastern Europe.

There will be chilly easterly winds in northern Italy.

Sunny conditions will prevail in Spain and in Portugal, with seasonably cool temperatures.

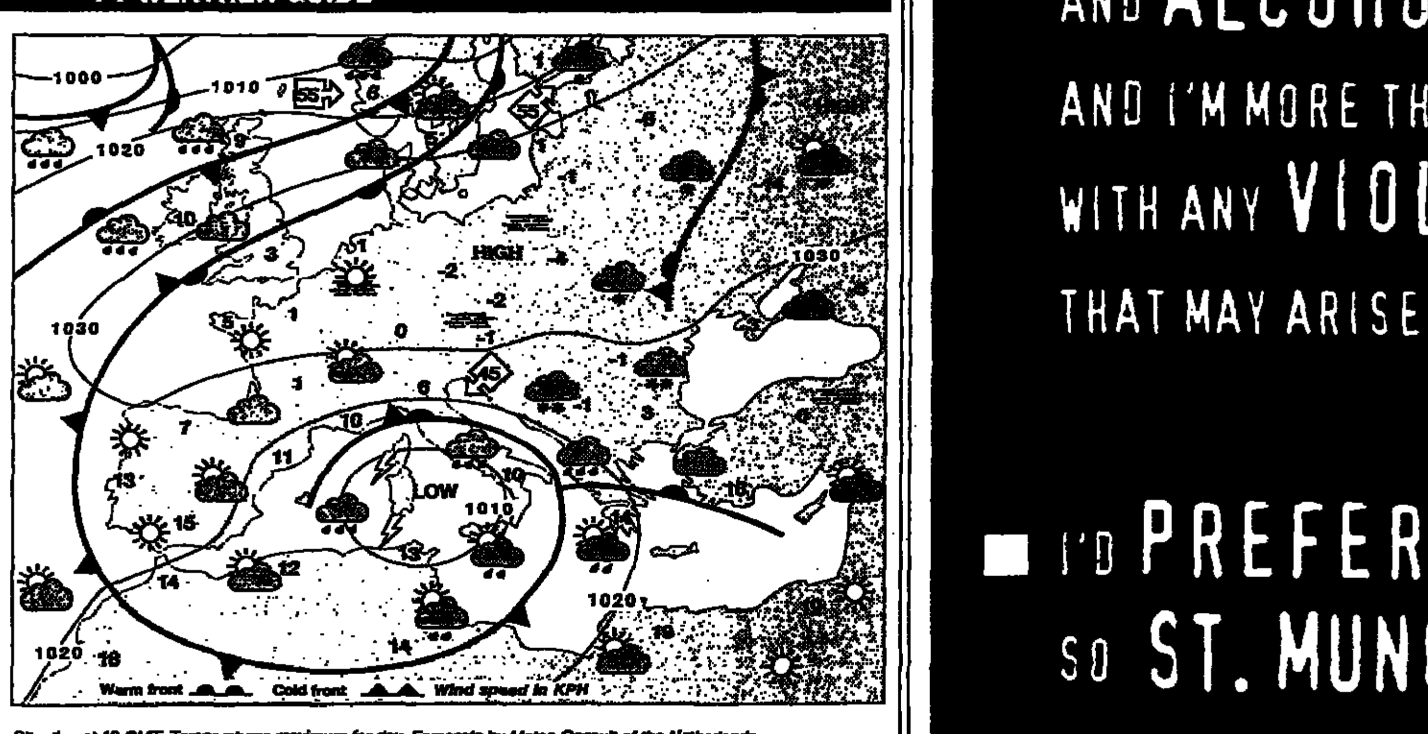
*Cloud and snow showers will shift from* northern Russia into Bulgaria.

### Five-day forecast

A large depression will move slowly eastward across the Mediterranean towards Greece by Monday. As a result, cloud and rain will spread into Greece and Turkey during next week.

*At higher elevations and near the Black Sea,* snow will fall.

Over western Europe, an expansive high pressure system will keep conditions settled, with widespread, persistent fog.




*Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands*

TODAY'S TEMPERATURES

| | | Maximum Celsius |
|---|---|---|
| Abu Dhabi | sun | 25 |
| Accra | sun | 32 |
| Algiers | thund | 12 |
| Amsterdam | fog | 0 |
| Athens | cloudy | 16 |
| Atlanta | cloudy | 13 |
| B. Aires | fair | 29 |
| B.ham | fair | 2 |
| Bangkok | sun | 33 |
| Barcelona | fair | 10 |
| Beijing | cloudy | 1 |
| Belfast | drzzl | 9 |
| Belgrade | shower | 0 |
| Berlin | cloudy | -2 |
| Bermuda | shower | 23 |
| Bogota | fair | 20 |
| Bombay | sun | 32 |
| Brussels | cloudy | -1 |
| Budapest | cloudy | 0 |
| C.hagen | cloudy | 1 |
| Cairo | fair | 19 |
| Cape Town | fair | 19 |
| Caracas | fair | 29 |
| Cardiff | cloudy | 3 |
| Casablanca | cloudy | 16 |
| Chicago | fair | 4 |
| Cologne | cloudy | 0 |
| Dakar | fair | 28 |
| Dallas | sun | 16 |
| Delhi | sun | 23 |
| Dubai | sun | 26 |
| Dublin | cloudy | 10 |
| Dubrovnik | rain | 10 |
| Edinburgh | cloudy | 9 |
| Faro | sun | 16 |
| Frankfurt | fog | 1 |
| Geneva | fair | 2 |
| Gibraltar | sun | 15 |
| Glasgow | rain | 8 |
| Hamburg | fog | -2 |
| Helsinki | cloudy | 2 |
| Hong Kong | cloudy | 22 |
| Honolulu | cloudy | 27 |
| Istanbul | drzzl | 12 |
| Jakarta | cloudy | 31 |
| Jersey | fair | 8 |
| Karachi | fair | 30 |
| Kuwait | sun | 18 |
| L. Angeles | sun | 17 |
| Las Palmas | fair | 21 |
| Lima | cloudy | 25 |
| Lisbon | fair | 12 |
| London | fair | 4 |
| Lux.bourg | fog | -2 |
| Lyon | cloudy | 1 |
| Madeira | fair | 19 |
| Madrid | fair | 6 |
| Majorca | shower | 12 |
| Malta | thund | 15 |
| Manchester | fog | 4 |
| Manila | rain | 28 |
| Melbourne | fair | 21 |
| Mexico City | fair | 22 |
| Miami | shower | 23 |
| Milan | rain | 6 |
| Montreal | fair | 2 |
| Moscow | cloudy | -8 |
| Munich | fog | -2 |
| Nairobi | fair | 25 |
| Naples | rain | 11 |
| Nassau | shower | 25 |
| New York | rain | 6 |
| Nice | shower | 12 |
| Nicosia | fair | 13 |
| Oslo | cloudy | 2 |
| Paris | fair | 1 |
| Perth | sun | 35 |
| Prague | fog | -3 |
| Rangoon | fair | 33 |
| Reykjavik | sleet | 3 |
| Rio | fair | 30 |
| Rome | rain | 12 |
| S. Frsco | rain | 13 |
| Seoul | cloudy | 10 |
| Singapore | cloudy | 30 |
| Stockholm | cloudy | 3 |
| Strasbourg | fog | 2 |
| Sydney | fair | 25 |
| Tangier | fair | 14 |
| Tel Aviv | fair | 20 |
| Tokyo | fair | 14 |
| Toronto | fair | 8 |
| Vancouver | shower | 9 |
| Venice | rain | 6 |
| Vienna | snow | -1 |
| Warsaw | cloudy | -5 |
| Washington | rain | 11 |
| Wellington | fair | 17 |
| Winnipeg | sun | 5 |
| Zurich | cloudy | -1 |



هكذا من الاصل

## IN BRIEF

### Ciba buys RPR operations

Rhone-Poulenc Rorer, the US-based drugs arm of Rhône-Poulenc, the French chemicals company, is to sell its north American consumer medicines operations to Ciba of Switzerland. Page 18

**Former Banesto director sues JP Morgan**
A former deputy chairman of Banesto is suing the US bank JP Morgan, which was the Spanish banking group's financial adviser when the Bank of Spain dismissed the Banesto board a year ago. Page 18

**British Assets reshape approved**
Shareholders in British Assets Trust have approved a capital reorganisation but raised questions about the trust's relationship with Ivory & Sime, its fund manager. Page 22

**BT Securities agrees $10m settlement**
BT Securities, a unit of Bankers Trust, has agreed to pay $10m to settle federal charges stemming from its sale of derivatives to Gibson Greetings. BT Securities agreed under a consent decree to SEC findings that it violated reporting and anti-fraud provisions of federal securities laws.

**Life after Montague...**
Mr Ian Clubb, the new chief executive of Central Transport Rental Group – formerly Tiphook – was yesterday plotting the company's strategy without Mr Robert Montague, the man he once described as "crucial to the future of the business". Page 23

**Wheelock rises 13%**
Wheelock and Company, the Hong Kong holding company for the late Sir Y.K. Pao's listed corporate empire, reported a 13 per cent rise in interim net profits. Page 19

**BTR Nylex purchase welcomed**
Investors and analysts yesterday gave a cautious welcome to news that BTR Nylex, the Australian listed arm of the UK's BTR group, was back on the acquisition trail with the A$800m (US$626m) purchase of Formica Corp, the New Jersey-based laminates manufacturer. Page 19

**Crédit Lyonnais in sale talks**
Crédit Lyonnais, the troubled bank controlled by the French state, is dealing with the aftertaste of its over-consumption in the past few years. Yesterday it confirmed that it was in discussions to sell a 20 per cent stake in the Forum des Halles, a Paris commercial centre. Page 20

**Therapy for Christmas trees**
For decades, Christmas tree buyers have been content with a Norway spruce at Christmas and with sweeping up the needles as they drop off in centrally heated living rooms. Now growth hormone therapy for trees is being tested for the first time in the UK, to meet demand for no "needle drop" or bushier or more scented trees. Page 24

**Seoul shares climb**
Shares in Seoul climbed, anticipating the finance ministry's post-bourse announcement of measures to ease securities rules in capital markets, and the stock exchange's widening of the permissible daily band in which share prices could move. Back Page

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**Chief price changes yesterday**

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| FRANKFURT (DM) | | | | PARIS (FFr) | | | |
| Rises | | | | Rises | | | |
| Daimler Benz | 768.2 | + | 10.2 | Accor | 570 | + | 14 |
| [illegible] | 1235 | + | 40 | Damart | 5590 | + | 140 |
| [illegible] | 575.8 | + | 10.8 | Fonc Lyonnaise | 690 | + | 31 |
| [illegible] | 600 | + | 20 | Legris | 332 | + | 18 |
| Falls | | | | Taittinger | 2376 | + | 216 |
| [illegible] | 786 | – | 19 | Falls | | | |
| [illegible] | 682 | – | 11 | EBF | 842 | – | 18 |
| NEW YORK ($) | | | | TOKYO (Yen) | | | |
| Rises | | | | Rises | | | |
| [illegible] | [illegible] | + | [illegible] | [illegible] | 1610 | + | 40 |
| [illegible] | [illegible] | + | [illegible] | [illegible] | [illegible] | + | [illegible] |
| [illegible] | [illegible] | + | [illegible] | [illegible] | [illegible] | + | [illegible] |
| [illegible] | [illegible] | + | [illegible] | [illegible] | [illegible] | + | [illegible] |
| Falls | | | | Falls | | | |
| [illegible] | [illegible] | – | [illegible] | [illegible] | 1550 | – | 20 |
| New York prices at 12.30. | | | | | | | |
| LONDON (Pence) | | | | | | | |
| Rises | | | | | | | |
| [illegible] | 270 | + | 12 | Southern Elect | 791 | + | 21 |
| [illegible] | 224 | + | 11 | Tadpole Tech | 379 | + | 10 |
| [illegible] | 481 | + | 14 | Wessex Water | 300 | + | 12 |
| [illegible] | 173 | + | 6 | Falls | | | |
| [illegible] | 27 | + | 6 | Canadian Pizza | [illegible] | – | 6 |
| [illegible] | 182 | + | 8 | Elliott (B) | 95 | – | 4 |
| [illegible] | 122 | + | 8 | Hall Eng | 132 | – | 13 |
| [illegible] | 144 | + | 7 | [illegible] | [illegible] | – | 4 |
| [illegible] | 885 | + | 20 | Telegraph | 380 | – | 10 |
| [illegible] | 1195 | + | 28 | WMGO | 14 | – | 3½ |
| [illegible] | 461 | + | 14 | | | | |

# US go-ahead for BAT tobacco deal

By Richard Tomkins in New York

BAT Industries, the UK tobacco and financial services group, has won US government approval for its planned $1bn takeover of American Tobacco, the fifth-biggest US cigarette maker.

The US Federal Trade Commission withdrew its opposition to the deal in exchange for undertakings that BAT would divest some of American Tobacco's minor brands in the next 12 months.

The acquisition will take place immediately.

The US brands that BAT will acquire are Lucky Strike, Pall Mall and Carlton in the premium sector and Misty, Private Stock and some private-label brands in the lower-priced segment.

BAT said the acquisition would result in a restructuring charge of about $150m-$200m after-tax for the year just ending, but expected to derive efficiency savings of $200m a year by combining American Tobacco's headquarters and sales organisations with those of Brown & Williamson, its US tobacco company.

BAT agreed to buy American Tobacco from American Brands, its US parent, in April, but the FTC sought to block the bid on competition grounds. During a federal court hearing, the FTC argued that the US tobacco industry was already highly concentrated with only six participants.

BAT countered that a merger of Brown & Williamson with its 11 per cent market share and American Tobacco with its 7 per cent share would increase the combined company's ability to compete with Philip Morris and RJ Reynolds Tobacco, the two industry giants, which together account for 70 per cent of US cigarette sales.

The eight-day court hearing ended last week, with the judge reserving his decision. FTC lawyers later acknowledged that the case had gone badly for them: but BAT was under pressure to do a deal with the FTC because of the risk that the commission would appeal against an unfavourable decision, further delaying the deal.

Yesterday's out-of-court settlement requires BAT to divest Montclair, a low-priced brand, and certain minor discount brands within 12 months.

As a result of the divestitures, BAT's share of the US cigarette market will rise to 17 per cent instead of the 18 per cent originally envisaged.

# Dow Chemical buys 80% east German stake

By Judy Dempsey in Berlin

Dow Chemical of the US has bought a majority stake in one of east Germany's former state-owned chemical complexes, giving it a strategic position in Germany and eastern Europe. The price for the enterprise, which has been making losses, was not disclosed. The US company will take an 80 per cent stake in Buna/Böhlen and invest DM1bn ($637m), while the Treuhand privatisation agency will retain the remaining 20 per cent and provide DM3bn in investment. The Treuhand had sought buyers for one of the most polluted and inefficient industrial complexes under the former communist regime.

Dow will buy the steam cracker facilities at Sächsische Olefinwerke in Böhlen, the electrochemical units and derivative operations at nearby Buna, and the intermediate chemical operations at Leuna.

All are based in the eastern state of Saxony-Anhalt, and are one of the last remaining large industrial enterprises under the Treuhand, which winds up its operations at the end of this year.

The investments will be spread over four years. Dow will make an initial payment, followed by additional sums as turnover increases. It will also guarantee 2,700 jobs. Buna employed more than 18,000 workers before 1990.

All sectors of this petrochemical complex are losing money. Buna is expected to lose DM300m this year but its turnover is expected to have increased by two-thirds from the 1993 figure of DM600m because of the upswing in the chemical industry. Böhlen will record losses of about DM160m for this year.

Privatisation of the east German chemical sector was resisted by the west German industry, which maintained that Dow's investment in Buna would increase capacity levels. The Treuhand, backed by the finance ministry, has picked up the DM3.5bn debts of the whole Buna/Böhlen/Leuna chemical complex and has invested a further DM5.5bn which will rise to DM8.7bn by 1998.

Treuhand energy experts yesterday confirmed that Böhlen would have the annual capacity to produce 450,000 tonnes of ethylene. The ethylene will be converted at Buna into polyethylene and propylene, the basis for synthetic materials used, among other things, for the car industry. Buna will have a 200,000 tonnes annual capacity for propylene.

# Thyssen to spend DM4bn on expansion of telecom interests

By Christopher Parkes in Frankfurt

Thyssen, the German steel-based conglomerate, plans to spend up to DM4bn ($2.5bn) expanding its fledgling telecommunications operations into an integrated service business turning over DM10bn a year by the end of the decade.

Existing interests in mobile communications, terrestrial network and satellite-based services will be bundled together in a stand-alone joint-stock company called Thyssen Telecom, said Mr Dieter Vogel, deputy group chairman.

Medium-term plans include a stock market flotation, and collaboration with a strategic partner might also be considered, he said. However, Thyssen would retain a majority stake.

The company would specialise in services rather than networks and other hardware, Mr Vogel said, as 80 per cent of the added value in telecoms came from services rather than networks.

Current operations were already turning over DM2bn, Mr Vogel said. This would be augmented soon by income from an added-value data transmission service and a personal computer-based multimedia "users' club" offering shopping and information services.

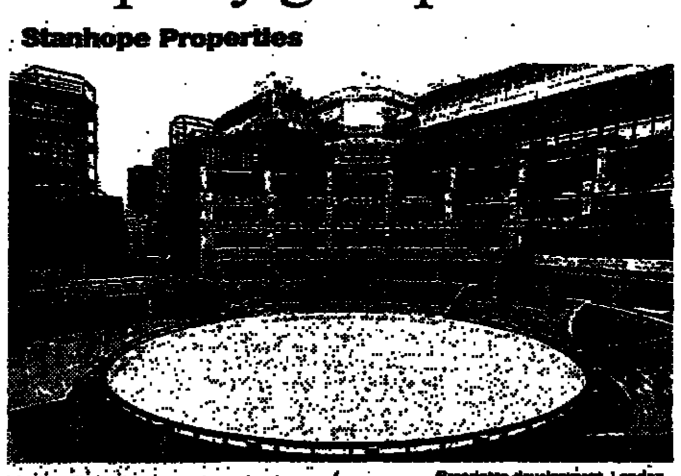
The new company, to be chaired by Mr Vogel, would also be applying for a licence in 1996/97 to offer the public speech telephone services from early 1998, the time set by the government for the ending of the state network monopoly.

Although relatively late in joining the line of companies unveiling firm investment plans and sales targets for the telecoms market, Thyssen has been building on its base of an extensive in-house voice transmission service.

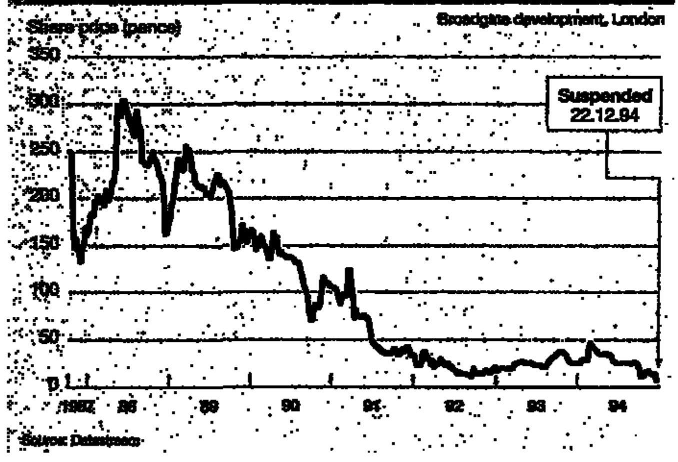
It and the Veba group each have 28.4 per cent stake in the E-Plus German mobile phone business.

# Property group totters

**Stanhope Properties**



Broadgate development, London




Stanhope, one of the UK's most influential developers of the 1980s, tried to stave off receivership after bank talks broke down. Page 18

# Zeneca to buy US healthcare company

By Daniel Green in London

Zeneca, the UK bioscience company, is to spend up to $485m buying a US healthcare company. The deal is easily Zeneca's biggest since demerger from Imperial Chemical Industries in 1993.

The target is Salick Healthcare, a Los Angeles-based operator of specialist cancer centres. Zeneca will take a 50 per cent stake by the end of the first quarter of 1995 and is likely to buy the rest of the company within four years.

The deal commits Zeneca to a broadly based attack, through both drugs and hospital management, on the $1,000bn-a-year US healthcare industry along the lines pioneered by rivals such as Merck and SmithKline Beecham. Others, such as Glaxo Holdings, remain committed to concentrating on drug development.

Mr David Barnes, Zeneca's chief executive, said the deal was part of a response to the rapidly changing US healthcare market. Zeneca has already started Stuart Disease Management Services, which specialises in managing patients with heart diseases in the US.

The deal will dilute earnings by less than 2 per cent in the first year and be "earnings accretive" in the third year, Mr Barnes said. Gearing, debt as a percentage of net assets, will increase from "less than 10 per cent at the end of 1994 to low double digits", Mr Barnes said.

For the year to August 31 1994, Salick Health Care had net assets of $102m and made pre-tax profits of $16.9m on sales of $131.5m.

For each two shares held, Salick shareholders would receive:

- $37.75 in cash from Zeneca, worth $195m
- One share of a new special common stock to be issued.
- A payment to those shareholders from Salick of $1.25 per share, worth $5m.

Holders of the special common stock have an option to sell to Zeneca after 2½ years at $42 a share. Zeneca has the right to buy the outstanding shares at any time over the next four years. For the first 2½ years, Zeneca would pay the market price subject to a floor of $42 and a ceiling of $50. After that the price is the market price.

With options also to be bought, the total amount payable if the shares are bought at $50 would be $485m, said Zeneca. Salick shares rose $5.75 to $35.

**Andrew Fisher** reports on moves to hunt insider dealers

# 'Tally-ho' sounds for an elusive German breed

The hunt is about to start in earnest for insider traders in Germany, a breed known to exist in abundance but almost impossible to track down. Their elusiveness has been aided by a lack of sanctions and a network of cosy contacts between companies, banks, analysts and journalists.

Until now, that is. Since August, insider trading has been punishable with a maximum prison sentence of five years and heavy fines. Profits of insiders caught after the act will have to be handed over to the state. The criminalisation of insider trading is part of a set of legal reforms aimed at making Germany's securities markets more efficient and attractive to investors at home and abroad.

From the start of 1995, the scrutiny of insider dealings will be led by a new regulatory body in Frankfurt. Headed by Mr Georg Wittich, a former finance ministry official who dealt with international stock market matters, the Federal Supervisory Office for Securities Trading will operate with an annual budget of DM12m ($7.6m) and an eventual staff of 97.

As well as monitoring share transactions, it will ensure that companies publicise as quickly as possible any information that could affect their share prices. Failure to comply with such "ad hoc publicity" requirements could lead to fines of up to DM3m. Also, shareholdings of 5 per cent in listed companies will have to be notified (as will stakes at thresholds of 10, 25, 50 and 75 per cent). The previous minimum was 25 per cent; fines of up to DM500,000 will apply if the new rules are ignored.

As Mr Wittich is aware, it is one thing to pinpoint insider traders but quite another to convict them. "We will pursue this task energetically," he says. Under the previous self-regulatory system, proof was hard to obtain. The system was made tougher after the government and banks became concerned about the damage to Germany's financial image of the previous laxity. European Union guidelines on insider dealings also had to be implemented.


In Mr Wittich's view, the knowledge that tough legal penalties now exist will be as important as the actual punishments. "I am convinced that the existence of an authority with the necessary investigative powers will prove a deterrent to insider dealings." That may be so, but an early conviction or two may be needed to show the new body has teeth.

It will have the power to demand confidential information on possible insider dealings from banks, companies and other sources. This can be passed on to authorities abroad. "At last, Germany has the full ability to co-operate according to international standards," says Mr Wittich. "You can't pursue insider trading on a purely national basis any more."

Using special computer programmes, dealings at Germany's eight stock exchanges – Frankfurt (the world's fourth biggest) accounts for more than 70 per cent of business – will be monitored for any unusual price or volume movements. If such evidence appears, the new organisation will try to run insider culprits to ground.

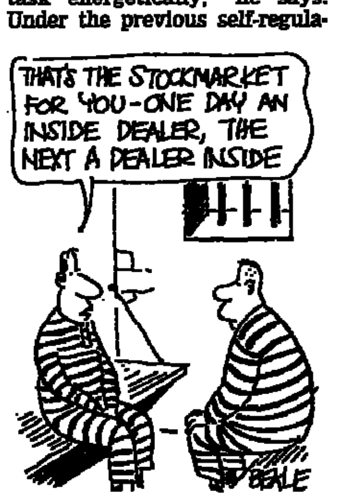
Insider trading has long been a tricky subject in Germany, with flurries of excitement when scandals erupt but rarely any action. The lack of punitive sanctions has hampered any clamp-down on insider information. Last year, Mr Franz Steinkühler resigned as head of the IG Metall trade union after he had bought shares worth DM1m in Mercedes AG Holding, a Daimler-Benz holding company, just before Daimler announced a share swap with MAH and the latter's shares rose sharply.

Since Mr Steinkühler was on Daimler's supervisory board, his position became untenable once the news of his dealings emerged. He denied insider trading but stepped down from the Daimler board. Eight years previously, the Frankfurt Stock Exchange found that Mr Klaus Kuhn, then head of the AEG supervisory board, had bought shares in the company while takeover talks were continuing with Daimler. He sold the stock at a DM16,000 profit, which he later repaid.

Such affairs hardly helped Frankfurt's reputation. "The fact that insider trading was not liable to prosecution met with scepticism," said Landeszentralbank in Hessen, the regional central bank for the state of Hesse in which Frankfurt is located. "This was one of the reasons why foreign investors favoured the London financial market, even for their DM transactions in domestic securities."

Now, it added: "Greater confidence in the supervisory system will strengthen the competitiveness of Frankfurt as an international financial centre." The ad hoc publicity and disclosure rules will also give investors more information. Under the old rules, companies could accumulate significant stakes (as Krupp did with Hoesch steel before buying it in 1991) without the target company knowing.

This will no longer be possible. Nor will the German practice of "fireside chats" in which selected journalists are fed titbits of news. For smaller companies, complying with the ad hoc rules could be a nightmare. "They may not know what the capital market wants," said an investor relations official at a big German industrial concern. It is Mr Wittich's job to see they find out quickly, as well as to root out investors who abuse insider information.



INTERNATIONAL COMPANIES AND FINANCE

# Ciba to acquire RPR's consumer medicines arm

By Daniel Green in London

Rhone-Poulenc Rorer, the US-based drugs arm of Rhône-Poulenc, the French chemicals company, is to sell its north American consumer medicines operations to Ciba of Switzerland.

The deal, worth up to $500m over seven years, includes the sale of Maalox, a 45-year-old brand that has lost market share in recent years and is no longer the best-selling antacid in the US.

RPR blamed the decline of Maalox for its decision to sell. The company was only 16th in the US non-prescription over-the-counter (OTC) market and "did not have the necessary critical mass". It had tried to forge alliances with other companies without success.

Mr Roland Jeannet, head of Ciba's OTC division, said the acquisition would add about 20 per cent to the sales of Ciba's OTC division worldwide, which stand at about SFr1bn ($752m).

It would almost double US sales, putting the company into the top 10 there, said Ciba.

RPR said its OTC business in the US and Canada was expected to have 1994 sales of $154m, with Maalox contributing $100m.

The agreement calls for an initial payment by Ciba of $189m for assets and intellectual property rights for seven years. Ciba also pays $24m a year for seven years, at the end of which it has the option to buy the intellectual property outright for $143m.

The net present value of the transaction is $407m, assuming the option is exercised. Ciba also has first refusal on RPR prescription products eligible for sale as consumer medicines in North America.

RPR said sales by its North American OTC brands represented less than 4 per cent of total sales. The company keeps its European OTC business, including the right to sell Maalox outside north America.

Maalox in Europe had most of its sales through hospitals and pharmacies, rather than supermarkets as in the US, presenting it with fewer marketing problems than in the highly competitive US market.

Ciba said the acquisition would not have a significant effect on gearing or earnings per share. The deal is the largest by Ciba in OTC. The most recent was the $140m acquisition of UK company Fisons' consumer medicines business in North America in 1992.

# ABN Amro takes over Polish bank for $10m

By Ronald van de Krol in Amsterdam

ABN Amro, the Dutch bank, is to pay $10m for Interbank, a small, ailing Polish bank, and to inject $30m of capital over the next few years.

The National Bank of Poland, the Polish central bank, took control of Interbank in October 1993 after losses had eroded its capital base.

ABN Amro will in effect be rebuilding the bank from scratch by providing initial capital and promising support.

In return, it will acquire a 98 per cent stake in the bank, which is to be renamed ABN Amro (Polska).

The remaining 2 per cent was owned by small shareholders who declined to sell or who could not be traced, ABN Amro said.

Interbank is based in Warsaw and has a branch office in Wyszkow.

It had assets of about 242bn zlotys ($11m) and a workforce of 85 in mid-1994.

The Polish bank is active in corporate and retail markets. ABN Amro said it had faced competition from other international banks for Interbank.

The Polish central bank had talked to Deutsche Bank of Germany about a takeover.

# Borland sees operating loss in third quarter

By Louise Kehoe in San Francisco

Borland International, the troubled US computer software company, expects a "substantial" operating loss for its third fiscal quarter, with revenues falling sharply from the previous quarter.

The group said it was planning a restructuring in the first quarter of 1995. Analysts said Borland was expected to lay off about one-third of its 1,700 employees next year.

Borland also said its chief operating officer, Mr Keith Maib, planned to resign.

The share price dropped to $6$\frac{11}{16}$ in mid-session yesterday, from Wednesday's close of $7¼. This week the stock has fallen 19 per cent.

"We must re-engineer and re-size the company in a manner that enables us to operate profitably and allows us to meet the changing needs of our customers, especially as they move to client-server," said Mr Philippe Kahn, chairman and chief executive.

Borland has been hurt by price-cutting and delayed products. The company had pinned its hopes on a new version of its database program, dBASE for Windows, introduced this summer. But analysts said sales had been disappointing.

Borland reported net income of $350,000, or 1 cent a share, in the second quarter, down from $2.8m, or 11 cents, a year earlier.

## Israeli firm joins Price Waterhouse

By Jim Kelly, Accountancy Correspondent

Somekh Chaikin, a large Israeli professional services firm, is to join the Price Waterhouse worldwide organisation. Mr David Morris, head of audit and business advisory services for PW in the UK said: "As business conditions improve in the Middle East, our clients are showing an increasing interest in the region."

# Stanhope story drawn towards a sad end

Stuart Lipton, the group's founder, is trying to stave off receivership, writes **Simon London**

The suspension of Stanhope Properties' shares yesterday, after the breakdown of negotiations with banks owed £140m, ($218.4m) leaves the UK's most influential developer of the last decade hanging by a thread.

The company's credit facilities ran out at 3.30pm yesterday after a three-day extension granted on Monday by 16 banks. Last night, the company and its advisers were trying to stave off receivership and avoid a sad ending to the Stanhope story.

When Mr Stuart Lipton started Stanhope 11 years ago – from tiny offices in Stanhope Gate, Mayfair – he was a familiar figure on the property scene. In 1976, Mr Lipton had founded Greycoat Estates, along with Mr Geoffrey Wilson and Mr Ron Spinney. During the late 1970s and early 1980s, Greycoat took part in some of London's most imaginative office developments.

These included Cutlers Gardens, built around old East India Company warehouses on the fringe of the City of London, and Victoria Plaza straddling Victoria Station. Mr Lipton left Greycoat abruptly in 1983. While there were rumours of a rift with his partners, he said that he simply wanted a change of scene.

In spite of Stanhope's modest beginings – Mr Lipton's initial investment was £100,000 – the company was soon involved in a string of ambitious projects.

By the time of its flotation on the Unlisted Securities Market in 1987, Stanhope had helped develop the Stockley Park office park near Heathrow Airport, one of the first in the UK. Work on the large Broadgate office development in the City was under way, in partnership with Mr Godfrey Bradman's Rosehaugh.

Stanhope's flotation prospectus detailed the first two completed phases of Broadgate and plans for four additional phases. Eventually, 14 phases were built, providing 3.5m sq ft of offices.

With such an impressive development record, investors were more than ready to back Mr Lipton. The tender price for Stanhope's shares was set at 250p, well above the 180p minimum price, giving the company a market value of £277m.

The following year, Olympia & York, the Canadian developer responsible for Canary Wharf and controlled by the Reichmann family, paid £137m for a 29.9 per cent interest in the company.

Mr Lipton's reputation was at its height. Stanhope and Rosehaugh were chosen to redevelop 125 acres around King's Cross station, which would have been Europe's largest inner-city development, and the large Royal Docks area of docklands. Stanhope also backed a controversial scheme to redevelop the South Bank arts complex. While none of these grand designs came to fruition, the company's shares peaked at 321p in mid-1988, valuing Stanhope at £500m.

Its decline since then can be blamed on the worst property recession in living memory and the way in which Stanhope was financed.

Under the influence of Mr Bradman, who had imported non-recourse financing techniques from the US, the Broadgate development was funded almost entirely with bank debt.

All the equity in the project was retained by Stanhope and Rosehaugh, each of which held a 50 per cent stake in Rosehaugh Stanhope Developments, later re-named Broadgate Properties.

When property prices were rising, this high leverage worked in favour of Stanhope shareholders. The company's net assets soared from £42m in 1987 to £457m in 1990. As property prices fell, though, the value of Broadgate to its shareholders was quickly eroded. Once the bank debt supporting Broadgate is deducted, Stanhope's half-share in Broadgate Properties is now valued at only £116m.

It would be easy to conclude that Mr Lipton's talent for development does not extend to finance. Yet Stanhope was not alone in under-estimating the severity of the downturn and over-gearing at the wrong point in the property cycle.

Mr Bradman was regarded as one of the best financiers in the property sector, yet Rosehaugh went into receivership two years ago. Greycoat – headed by Mr Geoffrey Wilson until last year – only survived by a whisker.

"To say Stuart does not care about profit margins and efficiency is laughable," said one former development partner. "He revolutionised construction techniques in this country and made buildings far quicker and cheaper to erect. The truth is that no-one saw the recession coming."

There is no doubting Mr Lipton's legacy as a developer. The Broadgate complex, in particular, is widely regarded as the City of London's most successful development since the second world war. Broadgate moved the City's centre of gravity to the north – an area regarded as a backwater by most City occupiers.

It is doubtful whether Broadgate would have been possible without Mr Lipton's passionate concern for the quality of the buildings. His reputation for being extraordinarily demanding to work for and, on occasions, brutally direct may arise from this uncompromising approach.

One close adviser commented: "Stuart pays an enormous amount of attention to his buildings. They are like a part of his family. It is an approach which leads to great buildings but some people find that degree of commitment difficult to deal with."

Whatever the future for Stanhope, few doubt that Mr Lipton could, if he chose, build many more fine buildings. He has only just passed his 52nd birthday and, in spite of yesterday's events, his reputation as a developer remains intact.

Others of his generation have proved that episodes of financial distress are not a permanent barrier in an industry accustomed to boom and bust.

After a brief spell in Germany following the collapse of Rosehaugh, Mr Bradman is operating from offices close to Regent's Park. While shareholders who backed Stanhope may feel less than sympathetic, history has proved that building fine buildings is a risky business from which few escape unscathed.

# Former Banesto director sues JP Morgan

By Tom Burns in Madrid

A former deputy chairman of Banco Español de Crédito Banesto (Banesto) is suing the US bank J.P. Morgan, which was the Spanish banking group's financial adviser when the Bank of Spain dismissed the Banesto board a year ago.

A claim filed against J.P. Morgan by Mr Ricardo Gómez-Acebo, a member of Banesto's board for 23 years up to the end of 1993, alleges that the US bank breached its fiduciary duties to Banesto by giving negligent advice.

Mr Gómez-Acebo's suit alleges that Morgan, as Banesto's adviser, withheld information from the board after the completion, in the summer of 1993, of the first two tranches of a three-part equity raising programme.

Morgan began to advise the Spanish bank early last year, and it became a Banesto investor in the spring and summer of 1993 when it led international equity issues that raised nearly $700m for the bank.

J.P. Morgan said yesterday that the suit had been filed several months ago, and there had been no significant changes since then. The bank described the action as "frivolous" and said all allegations in it were groundless.

Banesto was the first target of the $1.1bn Corsair fund, a portfolio set up by Morgan to invest in undervalued banks. Corsair took a $175m stake in Banesto to hold nearly 8 per cent of equity and become its largest shareholder.

Included in documentary evidence is a 15-page letter from Morgan's chairman Sir Dennis Weatherstone to the US Congress committee on Banking, Finance and Urban Affairs last February, concerning Morgan's relationship with Banesto.

Sir Dennis wrote that after due diligence of Banesto in the autumn of 1993, Morgan learnt of "certain problems related to troubled equity investments ... and asset quality". This led to the postponment of a $400m debt issue.

The statement of claim filed by Mr Gómez-Acebo says that this information was not made available to Banesto's board when it met during that period.

Mr Gómez-Acebo's lawyer said that Morgan España, Morgan's Spanish arm, had said the statement had not followed procedural rules because the only party which could bring a suit against it would be Banesto.

Separately, Mr Mario Conde, Banesto's former chairman, was being questioned yesterday for the fourth successive day by a Madrid high court judge on charges of defrauding Banesto's shareholders.

Last week the judge, who is investigating a criminal fraud accusation brought in November against Mr Conde and former Banesto executives by the court's public prosecutor, indicted and committed to prison Mr Arturo Romani, a former board member.

# Axa unit divests Banque d'Orsay to German bank

Groupe Axa, the French insurance group, said its Cie Financière de Paris unit was selling Banque d'Orsay to Westdeutsche Landesbank for about FFr450m ($83m), agencies report.

Axa said the divestiture, which must be approved by French banking authorities, was in line with its policy of selling off non-core assets.

Banque d'Orsay was formed in 1990 from the merger of Deltabanque and MR Finance, a unit of the Meeschaert Rousselle brokerage. It specialises in arbitrage in the equity and bond markets and manages investment portfolios totalling nearly FFr10bn. It reported a net profit of FFr60.5m in 1993.



Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

| 1/2 hour period ending | Provisional Price for Trading on 22.12.94 Pool purchase price £/MWh | Final Prices for Trading on 25.11.94 Pool purchase price £/MWh | Pool selling price £/MWh |
|---|---|---|---|
| 0030 | 29.78 | 9.25 | 9.25 |
| 0100 | 29.78 | 9.88 | 13.13 |
| 0130 | 29.87 | 9.88 | 13.13 |
| 0200 | 29.87 | 9.88 | 13.13 |
| 0230 | 29.78 | 9.27 | 9.27 |
| 0300 | 29.78 | 9.25 | 9.25 |
| 0330 | 29.78 | 9.21 | 9.21 |
| 0400 | 29.78 | 9.20 | 9.20 |
| 0430 | 29.78 | 9.13 | 9.13 |
| 0500 | 29.78 | 9.09 | 9.09 |
| 0530 | 24.07 | 9.09 | 9.09 |
| 0600 | 24.07 | 9.08 | 9.08 |
| 0630 | 24.07 | 9.25 | 9.25 |
| 0700 | 33.93 | 9.02 | 12.47 |
| 0730 | 34.98 | 29.43 | 32.88 |
| 0800 | 38.11 | 33.43 | 36.88 |
| 0830 | 39.17 | 35.75 | 39.20 |
| 0900 | 51.48 | 35.75 | 39.21 |
| 0930 | 51.48 | 46.11 | 49.57 |
| 1000 | 51.48 | 46.11 | 49.57 |
| 1030 | 51.48 | 46.11 | 49.57 |
| 1100 | 39.17 | 35.92 | 39.37 |
| 1130 | 39.17 | 35.75 | 39.20 |
| 1200 | 39.17 | 35.75 | 39.20 |
| 1230 | 37.35 | 35.75 | 39.20 |
| 1300 | 37.35 | 35.74 | 39.19 |
| 1330 | 10.15 | 30.82 | 34.27 |
| 1400 | 10.08 | 30.82 | 34.27 |
| 1430 | 10.07 | 30.07 | 33.52 |
| 1500 | 10.08 | 30.07 | 33.52 |
| 1530 | 10.10 | 30.07 | 33.52 |
| 1600 | 37.35 | 30.16 | 33.65 |
| 1630 | 38.13 | 39.78 | 44.26 |
| 1700 | 37.49 | 49.61 | 56.88 |
| 1730 | 51.65 | 62.78 | 69.24 |
| 1800 | 51.64 | 60.42 | 66.45 |
| 1830 | 51.53 | 44.65 | 49.08 |
| 1900 | 39.44 | 41.69 | 46.38 |
| 1930 | 39.43 | 38.62 | 42.32 |
| 2000 | 38.11 | 35.28 | 38.73 |
| 2030 | 33.93 | 31.74 | 35.19 |
| 2100 | 33.93 | 31.74 | 35.18 |
| 2130 | 33.93 | 29.35 | 32.80 |
| 2200 | 33.93 | 29.32 | 32.77 |
| 2230 | 33.93 | 8.94 | 12.39 |
| 2300 | 33.14 | 8.94 | 12.39 |
| 2330 | 9.12 | 9.27 | 9.27 |
| 2400 | 9.09 | 9.20 | 9.20 |

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. [illegible]



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# Cautious welcome for BTR Nylex deal

By Nikki Tait in Melbourne

Investors and analysts yesterday gave a cautious welcome to news that BTR Nylex, the Australian-listed arm of the UK's BTR group, was back on the acquisition trail with the A$800m (US$620m) purchase of Formica Corp, the New Jersey-based laminates manufacturer which has been undergone a series of leveraged buy-outs and refinancings in recent years.

By yesterday's close, BTR Nylex shares had gained 4 cents to A$2.47, while in London BTR rose ½p to 290p in active trading of 10m shares.

The US deal comes in the wake of concerns that BTR Nylex had lost direction, and a sharply weaker share price following the release of disappointing interim results in September. Earlier this month, in an effort to address these problems, the company announced that it was calling in an outsider, Mr Philip Aiken, as managing director, part of whose job would be to identify acquisition opportunities.

Yesterday, in Melbourne, the company acknowledged that the Formica transaction, which was already in the pipeline before Mr Aiken's appointment, could double the gearing ratio – perhaps to 30-35 per cent. But it did not see this as a limitation on further deals.

The Formica consideration of A$800m will comprise the assumption of the US group's debts, put at A$440m at end-September, with the balance payable in cash. The principal sellers, who have all agreed to accept the terms, are Dillon Read, the US investment bank, with a 51 per cent interest; Masco Corp, with 32 per cent; and Formica's management, with 7 per cent.

Formica is the number two force in the US decorative laminates market, with total sales in 1993 of A$580m. More than half the sales are in the US, with the UK, France and Spain accounting for a further 30 per cent. About 11 per cent of revenue comes from Asia.

Pre-interest operating profits last year were A$45m, but finance charges of A$62m left an after-tax loss of A$5m. Mr Jackson said Formica had been paying an overall rate of about 14 per cent on its debt burden, but a recent refinancing had cut this significantly. BTR Nylex did not expect any dilution of earnings in year one as a result of the deal.

BTR maintains the US interests should tailor neatly with the Australian-based Laminex business, and that its own knowledge of the Asian markets should help it to boost Formica's sales there. According to Mr Jackson, Laminex's pre-interest margins are around 18-20 per cent, more than double Formica's.

The two BTR laminates businesses will have sales of A$850m annually, making this division the biggest decorative surfaces manufacturer worldwide.

# Coca-Cola Amatil in $240m Polish move

By Nikki Tait

Coca-Cola Amatil, the Australian soft drinks company which is 51 per cent owned by Atlanta-based Coca-Cola, said yesterday it would buy its parent company's bottling operations in Poland, plus certain local distribution rights, for about US$240m.

The assets being acquired include four bottling plants in Gdynia, Niepolomice, Sroda Slaska and Radzymin. CCA will also acquire the exclusive rights to make, distribute and market certain Cola-Cola products in the Gdynia, Krakow and west Poland territories, and to manufacture trademarked beverages in single-fill PET bottles and cans at Radzymin to supply companies which have distribution rights in the rest of Poland.

CCA said the three territories account for 60 per cent of the Polish population.

The purchase prices will be US$237.5m if settlement occurs by end-January. CCA said it would fund the consideration from internal cash resources.

CCA has been steadily expanding its interests in central and eastern Europe, and the Polish deal was known to be under negotiation. The Australian group is now represented in Austria, Hungary, the Czech and Slovak republics, Belarus, Slovenia and Ukraine.

# Wheelock 13% ahead at halfway stage

By Louise Lucas in Hong Kong

Wheelock and Company, the Hong Kong holding company for the late Sir Y.K. Pao's listed corporate empire, yesterday announced a 13 per cent rise in interim net profits, to HK$1.06bn (US$137m) from HK$940.3m at the halfway stage last year.

Profits were lifted by an exceptional gain of HK$79.2m on property sales. Earnings per share rose 14 per cent to 52.6 cents from 46.1 cents, and shareholders are to receive an interim dividend of 10.5 cents, up 10.5 per cent from last year's 9.5 cents a share.

The government's measures to curb speculation in the property market, which were implemented in June in an attempt to temper overheating home prices, were partially blamed for the relatively modest growth.

Developers' inability to book profits from sales because of the lack of government pre-sale consent means units not sold will be deferred to later years.

However, Wheelock believes its landbank, accumulated at a low cost relative to that prevailing in the secondary market, will ensure a good cushion of profit in future years.

In addition to Hong Kong, Wheelock has about 25m sq ft of landbank in South China.

Mr Peter Woo, group chairman, said the profit rise was solid when viewed against the unfavourable property and retail environments, and the fact the company has been in a building mode.

He said: "In a tough cyclical economic environment we see an opportunity to build, since the group's debt position is low. The group will continue the process of value building, recognising that expansion during the start-up years often results in marginally lower profits."

On the retail side, luxury department store group Lane Crawford saw profits slump 47 per cent to HK$52.7m from HK$99.2m over the six-month period.

This was attributed to significant start-up costs of new stores in Hong Kong and Singapore, general weakness and over-supply in these two markets. and a wet summer in Hong Kong.

Poor conditions in the retail market notwithstanding, there are plans to build Lane Crawford's franchise.

About 66 per cent of the interim profits came from group associate The Wharf (Holdings), Wheelock's 44 per cent-owned associate whose interests include property, infrastructure and hotels.

# Tata Tea gets a taste for expansion

## India's biggest plantation group is seeking acquisitions, says **Kunal Bose**

When Tata Tea, India's biggest plantation group, made known its target of eventually doubling tea output from its present level of 58m kg, it was clear that it would be on the acquisition trail.

It is one of several which has looked at Tetley, the tea business put up for sale by Allied Domecq, the UK spirits group.

Analysts believe Allied might be asking about £375m ($585m) for Tetley, which generates operating profits of about £24m on annual turnover of about £350m.

Tata and Tetley already operate one joint venture, an export-oriented tea-bag manufacturing unit in Cochin. Tata Tetley tea bags are selling well in western Asia and Poland, where a production unit is likely to be set up.

Tata is the only Indian tea company to move from a production-led to a market-led producer of tea and set up a base in the US to market instant tea.

Breaking away from a long tradition of selling tea in bulk, Tata Tea, which owns 52 tea estates, has pioneered in India the marketing of tea with added value, such as tea bags, packet tea and tea in polybags.

Tata Tea stands out in establishing several consumer brands, in competition with the long-established players in the Indian market such as Brooke Bond and Lipton.

Having consolidated its position in the value-added market, the management has turned to acquiring new estates. Recently it bought Borjan tea estate, spread over 872 hectares in Assam. It believes it can raise productivity at Borjan to more than 2,000 kg a hectare from the present 1,390 kg.

The company is hopeful that its negotiations with several tea estate owners will yield positive results. Except for Darjeeling where the best tea in the world is grown, Tata Tea owns gardens in all tea-growing centres in India. The strategy will be to buy gardens and then bring them up to the Tata Tea standards.

"Tata Tea is financially very strong to bid for a number of tea estates simultaneously. It has reserves of nearly $70m and it has a debt-to-equity ratio of 0.61," said an analyst with a leading merchant bank.

Tata Tea, which two years ago took over Consolidated Coffee, is now acquiring a majority stake in Asian Coffee, the instant coffee manufacturer. Tata Tea has a joint venture in Sri Lanka which manages several tea estates in the island. It will bid for some tea estates in Sri Lanka when there is privatisation.

## NEWS DIGEST

### Strong yen forces Sega to shift output to SE Asia

Sega Enterprises, the Japanese video game manufacturer and creator of Sonic the Hedgehog, cited continuing strength of the yen as the reason for shifting production of hardware for its next-generation video-game to south-east Asia, writes Emiko Terazono in Tokyo.

The company said it would move the manufacturing base of its 32-bit game machines to Taiwan and other countries in the region next year. The products are currently being manufactured in Japan by a subsidiary of Hitachi, the Japanese electronics concern, on behalf of Sega.

Sega officials said it was difficult to make profits at a dollar/yen rate below Y100. The company's foreign-exchange losses for sales in the US totalled Y1.1bn ($10m)in the first half to September.

However, the company said it was seeing strong sales of its new 32-bit game hardware and it was possible that manufacturing in the south-east Asian region would be expanded.

### Pacific Dunlop forms venture in Sri Lanka

Pacific Dunlop, the Australian conglomerate, has formed a new joint venture with the Development Finance Corporation of Ceylon, Sri Lanka's largest listed company, and this in turn has acquired a 75 per cent interest in Kelani Cables, a local cable manufacturing business, writes Nikki Tait.

Pacific Dunlop, which has a majority interest in the Lanka Olex joint venture, said about A$23m (US$17.8m) would be invested in Kelani Cables over the next three years, with the aim of making this the first local manufacturer of metallic telecommunications cables in Sri Lanka. A new plant will be built as part of the venture, and this should start operating by early-1996.

Kelani Cables will also act as the representative offices for other products being exported by Pacific Dunlop's cables business. The Australian company takes in Olex Cables, which is one of Australasia's largest manufacturers of power and telecommunications cables.

### Unison network insurers to exchange directors

Leading members of the Unison international insurance broking network have announced an exchange of board directorships among European and US partner companies, writes Ralph Atkins in London.

Mr John Gussenhoven, Unison president, said the exchanges could be a prelude to increasing cross-shareholdings between members, all privately-owned insurance brokers. Unison's members include US group Johnson & Higgins, Jauch & Hübener of Germany, Gras Savoye of France and Gil y Carvajal of Spain.

Unison has a network of some 250 offices in about 60 countries and acts, in effect, as an international network for members. Mr Gussenhoven said each company valued their independence but expanding cross-shareholdings could allow members to participate in each other's results.

Johnson & Higgins announced it has appointed three new directors: Mr Christian Dahms, partner of Jauch & Hübener; Mr Patrick Lucas, chairman of Gras Savoye; and Mr Santiago Gil de Biedma, chairman of Gil y Garvajal.

Similarly, Jauch & Hübener announced it would add three new members to the appropriate board, including Mr Gussenhoven, director of Johnson & Higgins.

### CRA provides more for copper buy-out costs

CRA, the Australian mining group, said yesterday that it would take a further A$115m (US$89m) after-tax provision to cover the costs of buying out its Japanese partners in Southern Copper, and closing and possibly demolishing the smelting operation, writes Nikki Tait. The provision is in addition to writedowns on the investment in previous years, and will be treated as an abnormal item against 1994 earnings.

The decision to close the facilities has already been announced, but CRA, which is 49 per cent owned by RTZ of the UK, said yesterday that it formally bought out its partners, Nissho Iwai and Furukawa.

### Reliance/Enron given three oil fields by India

India will hand over three oil and gas fields to a joint venture between Reliance Industries and Enron of the US, according to local press reports, Reuter reports from New Delhi.

An oil production deal is due to be signed tomorrow by the government, the state-owned Oil and Natural Gas Corporation (ONGC), which currently owns the fields, and the Reliance-Enron consortium.

Petroleum ministry officials were not immediately available for comment.

The three oilfields, Mukta, Panna and Tapti, off India's west coast, would be tapped by Reliance and Enron for oil and natural gas. The deal is a part of India's privatisation programme. The reports gave no details on either the cost of the deal or the amount of recoverable oil and gas in the fields.

The decision to sign the deal would follow months of debate over concessions that could be made to the private consortium by the Indian government. The consortium already owns a 60 per cent stake in the Mukta and Panna oilfields.

### Two to quit Tokyo SE

Hewlett-Packard of the US and US West are to delist their shares from the Tokyo Stock Exchange with effect from March 31 1995, AP-DJ reports from Tokyo. The planned delistings are subject to approval of the TSE and Japan's finance ministry.

## CONTRACTS & TENDERS

# Treasuries ease ahead of five-year auction

By Patrick Harverson in New York and Conner Middelmann in London

US Treasury prices eased across the maturity range yesterday morning as traders awaited the afternoon auction of five-year notes..

By midday, the benchmark 30-year government bond was down ¼ at 95⅜, yielding 7.865 per cent. The short end was also weaker, with the two-year note down ⅛ at 99⅞, to carry a yield of 7.656 per cent.

Trading was quiet throughout the morning, as business continued to wind down ahead of the Christmas holiday. The only economic news – an upward revision in the figure for third-quarter gross domestic product, from growth of 3.9 per cent to growth of 4 per cent – had little impact on sentiment. The upward revision was expected, and the market was much more interested in how the economy performed in the fourth, not the third, quarter.

Instead, the chief influence on market activity was the planned afternoon auction of $11bn in five-year notes.

## GOVERNMENT BONDS

Although the strength of demand at Wednesday's two-year note auction was encouraging. dealers were concerned that the five-year notes would prove a harder sell.

■ European government bonds had another quiet day, with turnover drying to a trickle as market participants began to leave for their Christmas holidays.

■ Italian bonds rose following the resignation of prime minister Mr Silvio Berlusconi, but some of their gains were wiped out in late trading as dealers pondered the implications of his departure.

"Berlusconi had been on the brink for so long that his resignation was just a confirmation of everyone's expectations – it had been widely discounted," said one dealer. However, not all uncertainty has been removed, and dealers will be nervously eyeing the political events of the next few days.

President Oscar Luigi Scalfaro today will begin consultations on the nomination of a new prime minister. If no satisfactory candidate is found, he could dissolve parliament and call new elections.

Many dealers consider elections the worst-case scenario, as they would prolong the political uncertainty which has dogged Italy's markets for months. Their favourite solution seems to be an institutional government encompassing most of the parties represented in parliament.

The March BTP futures contract on Liffe ended around 99.69, up 0.24 point but off its intra-day high of 99.96.

■ French bonds staged a smart rally, recovering from recent oversold levels. Although the March notional bond futures contract drifted slightly lower in after-hours dealings on Globex, it rose by 0.70 point on Matif to 111.36. The 10-year yield spread over Germany narrowed by five basis points to 59 basis points.

At the short end, the March three-month Pibor contract on Matif gained 0.11 point to 93.36. After sharply underperforming its German counterpart in recent weeks, it needs to get more in line with the German euromark contract, given that France's monetary policy is likely to continue tracking Germany's, dealers said.

■ German bonds posted small gains on scattered cash buying and some late short-covering in extremely thin volume. As expected, the Bundesbank left its M3 money supply growth range for 1995 unchanged from this year's, at between 4 and 6 per cent. The March bund futures contract on DTB ended at 89.87, up 0.22 point.

■ UK gilts had a slow day, shrugging off news that the current account turned into surplus for the first time in years. The long gilt future on Liffe ended at 102$\frac{5}{32}$, down $\frac{3}{32}$ point.

# Paying for the excesses of an acquisitive past

## Crédit Lyonnais appears to be behind schedule in its FFr20bn asset sell-off, writes Andrew Jack

Christmas may be near, but Crédit Lyonnais, the troubled bank controlled by the French state, has hardly had time to enjoy the festivities as it deals with its over-consumption of the past few years.

Barely has a day gone by in the past few months without some mention of the bank: either the latest effort to sell off part of its portfolio of subsidiaries and investments, or a new twist in its long-running battle with Mr Bernard Tapie, the businessman and politician.

In the latest development, Crédit Lyonnais yesterday confirmed it was in talks to sell off the 20 per cent stake owned by its investment arm Clinvest in the Forum des Halles, the former central Paris fresh food market converted into a commercial centre in the 1970s.

In July, it disposed of its 65 per cent stake in FNAC, the retailer which has one of its main showrooms in the complex of shops inside Les Halles.

On Tuesday, it announced the sale of its 57.3 per cent stake in Banca Lombarda to Credito Agrario Bresciano for about FFr650m ($119.9m). It has already closed other European operations this year, including its retail branches in the UK.

Its other important sales this year include its stake in UAF, the life insurance company, for FFr1.16bn, and its shareholdings in Méridien Hotels, the specialist glass company Essilor, retail group Pinault-Printemps and TF1, the television channel.

An announcement is likely shortly on the possible sale of Adidas, the sportswear manufacturer, which Mr Robert Louis-Dreyfus, its chief executive, has an option to buy until the beginning of January.

Other important deals include MGM, the film studio, which the bank is committed to selling, at least in part, by 1997.

All of these transactions reflect the bank's plans to shed costs and generate income as part of a restructuring aimed at reducing its enormous losses, reported at FFr6.9bn for 1993 and FFr4.5bn for the first half of this year alone, on top of bad debt provisions of FFr10.1bn.

However, Crédit Lyonnais faces a difficult task. As part of the restructuring agreed with the French government last year, it needs to sell off FFr20bn in industrial and commercial assets in 1994 and 1995. Currently, the total is a little more than FFr9bn, and it looks as though it may be falling behind its target.

Nevertheless, some analysts have been convinced by the apparent assurances given in the autumn by Mr Jean-Louis Peyrelevade, the chairman appointed by the government last year, that losses this year will be no more than in 1993.

This was taken to imply that the state has in effect underwritten any losses beyond this level – something the French treasury refuses to confirm.

However, one French analyst said yesterday: "Nobody really knows enough about the accounts and assets of Crédit Lyonnais, and only a few people in the government know whether they will salvage it.

"The bank can offer an opportunity to an investor who is ready to assume a very risky bet."

Certainly, little of the recent news of court battles and disposals has done much to affect the price of its certificats d'investissement, the bank's only traded shares, which are non-voting. They have remained relatively stable, after a succession of bad news earlier in the year drove them down sharply.

Even so, Crédit Lyonnais has remained a story of interest to the French press, if only because of Mr Bernard Tapie, the colourful businessman and politician who was an important client of the bank and who symbolises something of its history.

Recent weeks have seen numerous twists in the protracted legal battles between Mr Tapie and the bank. He has now been declared personally bankrupt, and a court ruling in a few days will determine whether a liquidator can begin to sell his assets – the proceeds from which would be split primarily between Crédit Lyonnais and the French tax authorities.

Mr Tapie has appealed the bankruptcy order – which jeopardises his political career – and a hearing is expected in March. Meanwhile, he is suing Crédit Lyonnais, claiming that it shares responsibility for the management of some of his companies.

The courts recently rejected his libel claim against the bank and against newspapers that ran advertisements portraying his name on dustbins associated with the clear-out at the bank. Based on past experience, he will no doubt appeal.

# IFC plans $5m investment in Balkan fund

The International Finance Corporation has announced a $5m investment in the Euro-Merchant Balkan Fund, a venture capital fund capitalised at $27.3m, writes Richard Lapper.

The fund will invest in small and medium-sized companies in Bulgaria and possibly other countries in the region. It is sponsored by Euro-Merchant Bank, a privately-owned Greek bank, and managed by Global Finance, an Athens-based venture capital group partly-owned by Baring Venture Partners.

The fund will be incorporated in Luxembourg as a closed-end investment company with a life of 10 years. Private investors are providing 51 per cent of the fund's capital, with the European Bank for Reconstruction and Development investing $8.3m.

# Issuers play on French volatility

By Graham Bowley

Highly-structured French franc deals dominated the eurobond market yesterday, as issuers moved to take advantage of increased volatility in the French bond market.

French short-term bond market rates, in particular, have been volatile in recent months, over uncertainty surrounding next year's presidential election.

## INTERNATIONAL BONDS

Depfa, Germany's largest mortgage bank, launched two FFr1bn offerings of two-year floating-rate notes (FRNs), both with a cap on the maximum coupon payable.

Société Générale Acceptance (SGA), a special purpose vehicle which taps international capital markets through a $10bn medium-term note programme, launched a FFr1.5bn offering of three-year FRNs, which also have a restriction on the maximum coupon payable.

The SGA notes pay a coupon of 150 basis points above the three-month Paris interbank offered rate (Pibor) only if the Pibor is within a 100 basis point range, calculated using the average of the Pibor spot and future rates.

Capping the coupon in this way means the notes can generate a higher margin above Pibor than would have been the case without a cap. This increases the notes' attractiveness to investors.

The first Depfa tranche offered 50 basis points over three-month Pibor with a maximum coupon of 7.7 per cent. The second tranche, targeted more at investors who think French interest rates are set to rise further, offered 30 basis points above Pibor up to a maximum coupon of 8 per cent.

The Depfa transactions, part of the proceeds from which were swapped into floating-rate D-Marks and the remainder kept in French francs, were driven mainly by French institutional interest, Depfa said. However, the deals also met interest from German banks and institutions, and funds in the Benelux countries, Switzerland and the UK.

The deals bring Depfa's borrowing programme for 1994 to a close. It has borrowed an equivalent of DM18bn this year, $5bn of this on the eurobond market, Mr Frank Reuhland, treasurer, said.

The Société Générale offering was sold to investors in the Benelux and Switzerland and to funds in London.

### NEW INTERNATIONAL BOND ISSUES

| Borrower | Amount m. | Coupon % | Price | Maturity | Fees % | Spread bp | Book runner |
|---|---|---|---|---|---|---|---|
| FRENCH FRANCS | | | | | | | |
| Depfa Finance, Tranche A‡ | 1bn | (a) | 99.93R | Jan.1997 | 0.15R | - | CCF |
| Depfa Finance, Tranche B‡ | 1bn | (b) | 99.94R | Jan.1997 | 0.13R | - | CCF/ CDC |
| Soc.Gén.Acceptance‡ | 1.5bn | (c) | 100.00 | Jan.1998 | undisd. | - | Société Générale |

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) 3-mth Pibor +30bp, max 8%. b) 3-mth Pibor +50bp, max 7.7%. c) 3-mth Pibor +150bp. Interest accrues on days Pibor is within 100bp range (reset quarterley).

## WORLD BOND PRICES

### BENCHMARK GOVERNMENT BONDS

| | | Coupon | Red Date | Price | Day's change | Yield | Week ago | Month ago |
|---|---|---|---|---|---|---|---|---|
| Australia | | 6.500 | 09/04 | 93.1400 | –0.080 | 10.12 | 10.11 | 10.36 |
| Belgium | | 7.750 | 10/04 | 96.3500 | +0.590 | 8.30 | 8.35 | 8.27 |
| Canada * | | 9.000 | 12/04 | 99.7500 | – | 9.04 | 9.11 | 9.09 |
| Denmark | | 7.000 | 12/04 | 87.8200 | –0.180 | 8.89 | 8.80 | 8.83 |
| France | BTAN | 8.000 | 05/98 | 100.7600 | +0.200 | 7.69 | 7.66 | 7.35 |
| | OAT | 7.500 | 04/05 | 95.8300 | +0.550 | 8.10 | 8.12 | 7.99 |
| Germany Bund | | 7.500 | 11/04 | 99.9100 | +0.050 | 7.51 | 7.52 | 7.37 |
| Italy | | 8.500 | 08/04 | 80.7500 | +0.200 | 11.92† | 11.92 | 11.79 |
| Japan | No 119 | 4.800 | 06/99 | 103.6400 | – | 3.89 | 3.82 | 4.00 |
| | No 164 | 4.100 | 12/03 | 97.0360 | –0.150 | 4.57 | 4.60 | 4.67 |
| Netherlands | | 7.250 | 10/04 | 97.3600 | +0.160 | 7.64 | 7.66 | 7.47 |
| Spain | | 10.000 | 02/05 | 89.5600 | +0.170 | 11.51 | 11.35 | 11.08 |
| UK Gilts | | 8.000 | 08/99 | 90–24 | –1/32 | 8.44 | 8.46 | 8.25 |
| | | 6.750 | 11/04 | 88–17 | –2/32 | 8.49 | 8.49 | 8.42 |
| | | 9.000 | 10/08 | 104–08 | –2/32 | 8.47 | 8.48 | 8.43 |
| US Treasury * | | 7.875 | 11/04 | 100–09 | –8/32 | 7.83 | 7.79 | 7.83 |
| | | 7.500 | 11/24 | 95–24 | –8/32 | 7.87 | 7.87 | 7.97 |
| ECU (French Govt) | | 6.000 | 04/04 | 84.3000 | +0.530 | 8.50 | 8.55 | 8.41 |

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

### US INTEREST RATES

Lunchtime — Treasury Bills and Bond Yields

| | | | | | |
|---|---|---|---|---|---|
| | | One month | 4.90 | Two year | 7.57 |
| Prime rate | 8½ | Two month | 5.40 | Three year | 7.73 |
| Broker loan rate | 6½ | Three month | 5.55 | Five year | 7.78 |
| Fed.funds | 5$\frac{11}{16}$ | Six month | 6.43 | 10-year | 7.81 |
| Fed.funds at intervention | - | One year | 7.06 | 30-year | 7.85 |

### BOND FUTURES AND OPTIONS

#### France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 110.52 | 111.36 | +0.70 | 111.36 | 110.42 | 101,879 | 137,120 |
| Jun | 109.80 | 110.70 | +0.72 | 110.50 | 109.80 | 512 | 2,713 |
| Sep | 109.22 | 110.12 | +0.72 | 109.22 | 109.22 | 2 | 872 |

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

| Strike Price | Calls Jan | Calls Mar | Calls Jun | Puts Jan | Puts Mar | Puts Jun |
|---|---|---|---|---|---|---|
| 110 | - | 2.20 | - | 0.04 | 0.86 | 1.72 |
| 111 | 0.56 | 1.50 | - | 0.27 | 1.22 | - |
| 112 | 0.13 | 0.95 | - | 0.80 | 1.70 | - |
| 113 | 0.03 | 0.61 | - | - | 2.30 | - |
| 114 | 0.01 | 0.34 | 0.68 | - | - | - |

Est. vol. total, Calls 23,787 Puts 8,083. Previous day's open int., Calls 189,266 Puts 162,775.

#### Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 89.64 | 89.89 | +0.25 | 89.94 | 89.53 | 37303 | 169353 |
| Jun | 88.98 | 89.24 | +0.20 | 89.05 | 88.98 | 28 | 820 |

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

| Strike Price | Calls Feb | Calls Mar | Calls Apr | Calls Jun | Puts Feb | Puts Mar | Puts Apr | Puts Jun |
|---|---|---|---|---|---|---|---|---|
| 8950 | 0.93 | 1.05 | 0.00 | 1.20 | 0.44 | 0.68 | 1.16 | 1.46 |
| 9000 | 0.54 | 0.78 | 0.68 | 0.98 | 0.65 | 0.89 | 1.44 | 1.74 |
| 9050 | 0.34 | 0.56 | 0.51 | 0.79 | 0.95 | 1.17 | 1.77 | 2.05 |

Est. vol. total, Calls 10009 Puts 4012. Previous day's open int., Calls 126474 Puts 80107

#### Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 99.41 | 99.69 | +0.24 | 99.96 | 99.40 | 10467 | 44935 |
| Jun | - | 98.99 | +0.24 | - | - | 0 | 20 |

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 9950 | 1.78 | 2.26 | 1.59 | 2.77 |
| 10000 | 1.47 | 2.04 | 1.78 | 3.05 |
| 10050 | 1.24 | 1.84 | 2.05 | 3.35 |

Est. vol. total, Calls 1865 Puts 1526. Previous day's open int., Calls 16271 Puts 14739

#### Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 84.90 | 85.20 | +0.25 | 85.20 | 84.77 | 28,620 | 39,392 |

#### UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 102-30 | 102-29 | -0-03 | 103-03 | 102-30 | 203 | 16190 |
| Mar | 102-08 | 102-08 | -0-03 | 102-15 | 102-05 | 8954 | 105397 |

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

| Strike Price | Calls Mar | Calls Jun | Puts Mar | Puts Jun |
|---|---|---|---|---|
| 102 | 1-31 | 1-41 | 1-15 | 2-25 |
| 103 | 0-63 | 1-16 | 1-47 | 3-00 |
| 104 | 0-40 | 0-60 | 2-24 | 3-44 |

Est. vol. total, Calls 4210 Puts 2169. Previous day's open int., Calls 24382 Puts 29956

#### Ecu

■ ECU BOND FUTURES (MATIF)

| | Open | Sett price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 80.72 | 81.34 | +0.54 | 81.36 | 80.70 | 3,421 | 5,625 |

#### US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 99-21 | 99-21 | -0-02 | 99-24 | 99-19 | 90,619 | 352,126 |
| Jun | 99-07 | 99-08 | -0-02 | 99-09 | 99-07 | 617 | 13,802 |
| Sep | 98-30 | 98-29 | -0-02 | 98-30 | 98-29 | 7 | 822 |

#### Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

| | Open | Close | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 108.59 | - | - | 108.64 | 108.56 | 841 | 0 |

* LIFFE contracts traded on APT. All Open Interest figs. are for previous day.

### FT-ACTUARIES FIXED INTEREST INDICES

| Price Indices UK Gilts | Thu Dec 22 | Day's change % | Wed Dec 21 | Accrued interest | xd adj. ytd | | Low coupon yield Dec 22 | Dec 21 | Yr. ago | Medium coupon yield Dec 22 | Dec 21 | Yr. ago | High coupon yield Dec 22 | Dec 21 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 Up to 5 years (24) | 119.38 | +0.03 | 119.34 | 1.62 | 11.14 | 5 yrs | 8.49 | 8.49 | 5.62 | 8.48 | 8.49 | 5.85 | 8.88 | 8.89 | 5.94 |
| 2 5-15 years (22) | 140.58 | +0.07 | 140.48 | 1.88 | 12.57 | 15 yrs | 8.34 | 8.36 | 6.34 | 8.49 | 8.49 | 6.46 | 8.71 | 8.71 | 6.67 |
| 3 Over 15 years (8) | 158.27 | +0.08 | 158.14 | 2.59 | 12.21 | 20 yrs | 8.31 | 8.33 | 6.46 | 8.49 | 8.49 | 6.50 | 8.64 | 8.65 | 6.68 |
| 4 Irredeemables (6) | 180.51 | +0.32 | 179.94 | 1.87 | 13.71 | Irred.† | 8.37 | 8.40 | 6.61 | | | | | | |
| 5 All stocks (60) | 137.52 | +0.06 | 137.43 | 1.91 | 12.15 | | | | | | | | | | |

| Index-linked | | | | | | | Inflation 5% Dec 22 | Dec 21 | Yr. ago | Inflation 10% Dec 22 | Dec 21 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 6 Up to 5 years (2) | 187.19 | +0.03 | 187.14 | 1.13 | 5.07 | Up to 5 yrs | 3.96 | 3.96 | 1.99 | 2.67 | 2.67 | 1.11 |
| 7 Over 5 years (11) | 174.21 | +0.01 | 174.19 | 0.61 | 5.34 | Over 5 yrs | 3.83 | 3.83 | 2.91 | 3.63 | 3.63 | 2.73 |
| 8 All stocks (13) | 174.67 | +0.01 | 174.65 | 0.65 | 5.30 | | | | | | | |

| Debentures and Loans | | | | | | 5 year yield Dec 22 | Dec 21 | Yr. ago | 15 year yield Dec 22 | Dec 21 | Yr. ago | 25 year yield Dec 22 | Dec 21 | Yr. ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9 Debs & Loans (77) | 129.98 | +0.06 | 129.90 | 2.08 | 11.22 | 9.44 | 9.44 | 7.18 | 9.38 | 9.39 | 7.53 | 9.33 | 9.33 | 7.66 |

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

### FT FIXED INTEREST INDICES

| | Dec 22 | Dec 21 | Dec 20 | Dec 19 | Dec 16 | Yr ago | High* | Low* |
|---|---|---|---|---|---|---|---|---|
| Govt. Secs. (UK) | 91.77 | 91.94 | 91.90 | 91.90 | 91.97 | 107.02 | 107.04 | 89.54 |
| Fixed Interest | 109.79 | 109.72 | 109.67 | 109.72 | 109.72 | 131.27 | 233.87 | 106.50 |

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

### GILT EDGED ACTIVITY INDICES

| | Dec 21 | Dec 20 | Dec 19 | Dec 16 | Dec 15 |
|---|---|---|---|---|---|
| Gilt Edged bargains | 89.3 | 95.5 | 99.1 | 101.1 | 101.6 |
| 5-day average | 83.2 | 82.8 | 96.2 | 82.9 | 102.6 |

## FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on December 22

| | Issued | Bid | Offer | Chg. | Yield |
|---|---|---|---|---|---|
| U.S. DOLLAR STRAIGHTS | | | | | |
| Abbey Natl Treasury 6½ 03 | 1000 | 88¾ | 88⅝ | | 8.48 |
| Alberta Province 7⅝ 98 | 1000 | 98¼ | 98½ | -⅛ | 8.16 |
| Austria 8½ 00 | 400 | 101⅜ | 101⅞ | -¼ | 8.15 |
| Bank Ned Gemeenten 7 99 | 1000 | 96⅛ | 96¼ | -⅛ | 8.01 |
| United Kingdom 7¼ 97 | 5500 | 100½ | 100⅝ | -⅛ | 8.91 |
| Volkswagen Intl Fin 7 03 | 1000 | 93¾ | 94¼ | -⅛ | 8.04 |
| World Bank 0 15 | 2000 | 20⅝ | 21⅝ | | 7.81 |
| World Bank 5⅞ 03 | 3000 | 88⅝ | 89¾ | +⅛ | 7.89 |
| World Bank 8⅛ 00 | 1250 | 109 | 111½ | | 5.57 |
| Abbey Natl Treasury 8 03 £ | 1000 | 92⅝ | 92⅞ | - | 8.50 |
| Alliance Leics 11⅜ 97 £ | 100 | 105¾ | 105⅞ | | 8.72 |
| British Land 8⅞ 23 £ | 150 | 89¼ | 89⅝ | -1 | 10.27 |
| Denmark 6¾ 98 £ | 800 | 93¾ | 94 | | 8.80 |

[illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

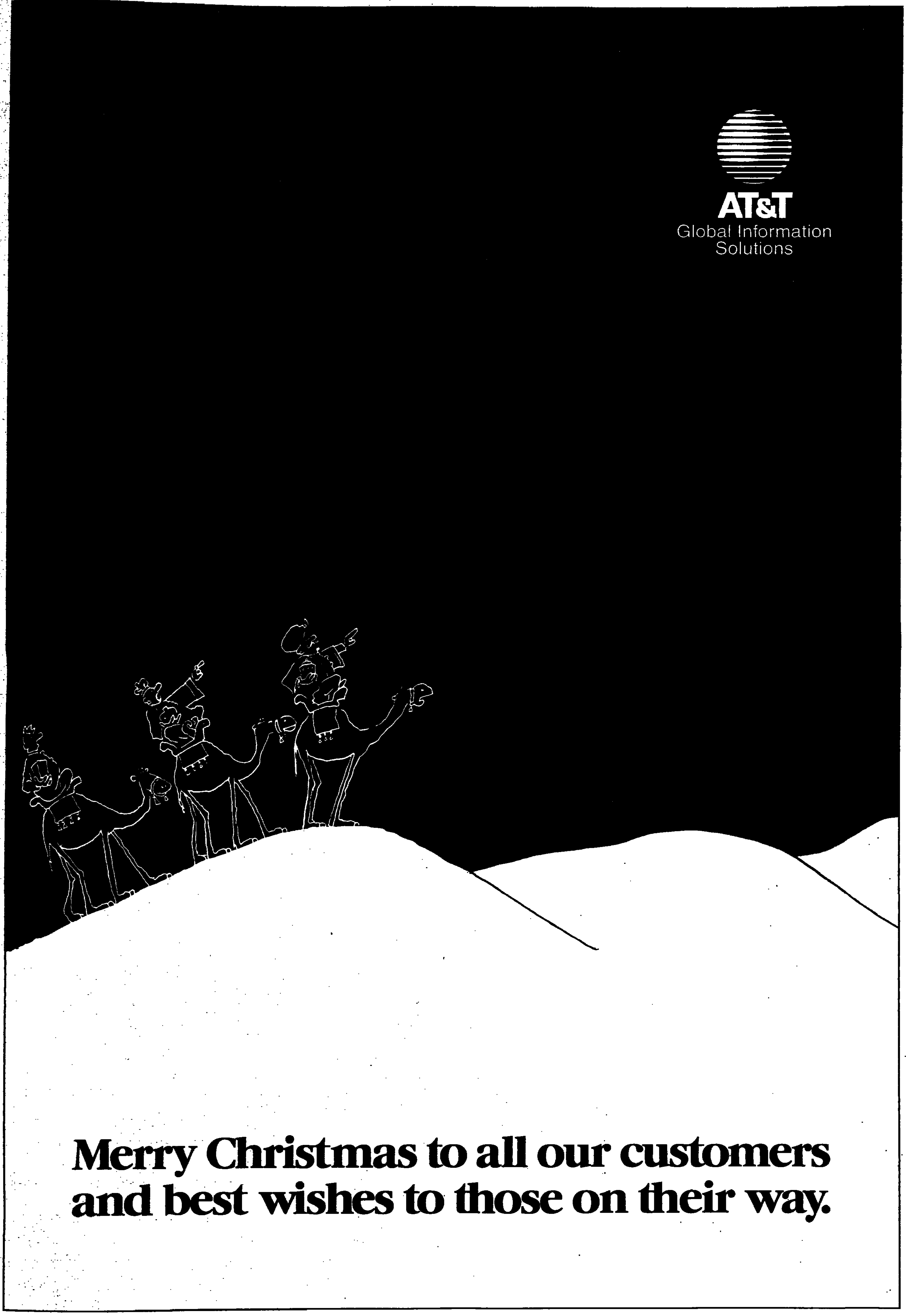


## UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]


AT&T
Global Information
Solutions
Merry Christmas to all our customers
and best wishes to those on their way.

Trust's relationship with fund manager questioned at EGM

# British Assets revamp approved

By James Buxton and Norma Cohen

Shareholders in British Assets Trust yesterday approved a capital reorganisation following an occasionally acrimonious meeting which raised questions about the trust's relationship with Ivory & Sime, its fund manager.

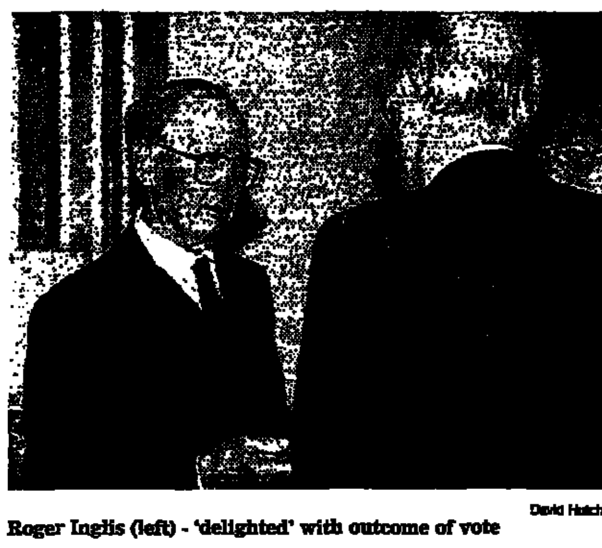
The debate about the restructuring has focused attention on broader questions about the corporate governance of investment trusts and the accountability of their directors to shareholders.

The trust's directors are not directly employed by Ivory & Sime, in accordance with corporate governance guidelines issued by the Association of Investment Trust Companies. However, most of the directors also serve on several other Ivory & Sime trusts from which they earn income.

British Assets's restructuring is required because poor performance by Ivory & Sime has meant it has not earned sufficient income from investments to cover its annual dividend increases, causing it to eat into reserves.

To preserve dividend levels for the majority of its shareholders, the plan requires 16 per cent of shareholders to forego dividends for seven years. In exchange, they will receive 61.2m additional shares to be issued in seven years' time.

These will increase in value if the net asset value of the trust rises over the next seven years.



David Hutchison

Roger Inglis (left) - 'delighted' with outcome of vote

The proposals required approval of 75 per cent of voting shareholders.

At an extraordinary meeting in Edinburgh, 78 per cent of the shares – roughly 160m – were voted in favour of the proposal, with 22 per cent – about 45m – against.

Mr Roger Inglis, British Assets chairman who will retire next June, said afterwards that he was delighted with the outcome. "The size of the vote in favour speaks for itself," he said.

However, as it had earlier indicated, Sun Life, the trust's largest institutional shareholder, voted its 11.06 per cent stake against the proposal and insisted that all proxy votes also be counted.

Sun Life had argued that the effect of issuing the new shares would be to dilute the net asset value for all shareholders, and that it was not clear that earnings would be sufficient seven years from now to continue to pay inflation-linked dividends as it has promised.

Also, some analysts had questioned the £2.7m cost of the restructuring, which includes a payment of £610,000 to the big institutional shareholders who have agreed to forego a portion of their dividends for seven years.

It had privately argued that the trust's poor performance in recent years raised questions about whether Ivory & Sime ought to be reappointed as fund manager.

In a prepared statement, Sun Life said yesterday: "It is now up to the directors of British Assets, together with Ivory & Sime, to deliver improved performance."

Sun Life could sell its stake in the market or it could use its muscle as the leading shareholder to force the directors to drop Ivory & Sime if the trust's performance does not show suitable improvement.

Two small shareholders at the meeting attacked the mechanism used by the trust to secure the backing of institutions, and charged that the directors of the trust were not sufficiently independent of Ivory & Sime.

Mr Martin Harper, a retired merchant banker, called the scheme "unsatisfactory, unsound, costly and harmful". It provided only a "temporary, cosmetic palliative to the problem" of the trust.

He had earlier attacked British Assets' promised £1.3m investment in Ivory & Sime Trustlink, a marketing company for investment trusts. "Trustlink may well be of benefit to the managers. But it is a basic principle of marketing that you do not push a product until it performs satisfactorily. This large investment cannot be appropriate to the company at this time."

# Canadian Pizza shares fall on warning

By Geoff Dyer

Shares in Canadian Pizza, which floated in November last year, fell 6p to 83p yesterday after the pizza and pizza crust maker issued its second profits warning of the year.

Forecast pre-tax profits for the year to December 31 have been reduced from £2.8m to £2.3m.

The shares are now worth only 42 per cent of their flotation price of 200p.

Mr Reg Bolton, finance director, said that revenues were lower than expected because of delays with four of the nine new UK retail customers it had won this year.

The company also faces a charge of £133,000 due to the early retirement of Mr Harry Kent, the 67-year-old deputy chairman and co-founder.

In April the company issued a profits warning after its biggest client, J Sainsbury, which accounted for 25 per cent of turnover, withdrew a large part of its business.

Mr Bolton said: "We have not been able to fill the gap left by the lost Sainsbury business in the timescale we had hoped."

The company also said that it had abandoned plans to build a new manufacturing base in continental Europe. All exports of pizza crusts will continue to be sourced from the Salford factory.

# Thorn EMI sells Defence Group to Thomson-CSF

By Paul Taylor

Thorn EMI, the music and rentals company, is to sell Defence Group, part of its electronics division, to Thomson-CSF of France for £15m cash.

The sale, which is subject to regulatory and other approvals, marks an important step towards Thorn's goal of ending losses in its electronics division.

The disposal is expected to be completed at the end of February and to result in a pre-tax exceptional gain of £3m. Thorn's shares closed up 6p at £10.19.

Defence Group's turnover is about £30m – roughly 40 per cent of Thorn EMI Electronics – and its main activities are manufacturing fuses for missiles and shells and electro-optics. It has about 970 employees.

Thomson-CSF is expected to continue to operate the missile and ordnance fusing business from the existing plant at Blyth Road, Hayes, Middlesex under the name of Thomson Thorn Missile Electronics.

The electro-optical business will become part of Pilkington Optronics, a joint venture between Thomson-CSF and Pilkington and will operate under the Pilkington Thorn Optronics banner.

Thorn's defence sensor activities, which are based at Crawley, West Sussex, and Wells, Somerset, and the microwave devices business at Hayes are not included in the agreement with Thomson.

Last month, Thorn EMI announced that it was in talks with Racal Electronics over the sale of the defence sensors business which employs 1,140 people and had turnover of about £75m last year.

Thorn has also sold its electronic security business. The sale of both the defence and sensors businesses will end losses in the electronics division which totalled £13.5m last year.

Once the sales are completed, Thorn will only be left with its transaction ticketing operation outside its declared core areas. Preliminary talks on the ticketing business are also taking place.

Sir Colin Southgate, chairman, has said that the company will concentrate on its music production, music retailing and rental operations.

# London Securities disposes of its largest asset for £5m

By Simon London, Property Correspondent

London Securities, the property company which is being wound down under a voluntary arrangement with its creditors, has sold its largest asset, Mill Ride Golf Club in Berkshire, for £5m.

The proceeds will be paid to Barclays, which financed the development and is owed £15m, including rolled-up interest.

The disposal came on the eve of today's extraordinary meeting at which shareholders will be asked to approve a deal which will pass control to Mr Michael Ashcroft, the Bermuda-based businessman who runs the ADT car auctions and security group, and Mr Jacques Gaston Murray.

Under the terms of the deal London will buy a £17.6m property portfolio from Nu-Swift, the former fire extinguisher company taken private by Mr Ashcroft and Mr Murray earlier this year.

Nu-Swift already owns 29 per cent of London. If the deal is approved, it will reduce its holding to 75 per cent through a placing in order to maintain the company's Stock Exchange listing.

The deal will effectively give Mr Ashcroft and Mr Murray control of a quoted property company.

# NatWest sells stake in Dutch bank

By Ronald van de Krol in Amsterdam

National Westminster Bank is to sell its 78.2 per cent stake in F van Lanschot Bankiers, the Dutch bank, to a group of banks and institutional investors in the Netherlands.

The sale, which ends a 21-year relationship between the two banks, follows a difference of opinion about future strategy in private banking.

No financial details were disclosed but NatWest said it was "more than satisfied" with the price. Van Lanschot, a medium-sized bank focusing on wealthy private clients, institutional investors and family-owned companies, had net assets of about Fl 340m (£113m) in December 1993.

Mr Bert Heemskerk, management board chairman of van Lanschot, said the bank did not want to concentrate exclusively on private banking, as NatWest wished.

The Dutch bank believed there was important synergy between its commercial banking activities for family-owned companies and its private banking aimed at wealthy clients in the Benelux countries.

A stake of 21.2 per cent will be sold on December 30 to Friesland Bank, a regional co-operative bank which wants to develop commercial links with van Lanschot. The rest is being sold in smaller parcels to ABN Amro Bank, ING Group and AVCB, the insurance group, as well as to the National Investment Bank and Nederlandse Participatie Maatschappij, a venture capital group.

The sale is a forerunner to a flotation over the next three to five years, when 20 to 25 per cent of the shares are to be sold on the Amsterdam Stock Exchange.

# Brokers face a 'normal trading day'

By Peter John

A bad year in the London equity market, which has seen disappointing levels of business, is ending on a sour note as brokers are having to put in a full day's appearance on what is traditionally the quietest day of the year.

The Stock Exchange has decreed that dealing will, as usual, continue until 4.30pm today even though the derivatives market, which provides much of the liquidity, will close shortly after noon.

The Stock Exchange said: "It is not Christmas Eve so it is just a normal trading day." But market hands said the half-day closure had applied historically even when it was not Christmas Eve.

And because of the quote-driven nature of the London market, big integrated securities houses will have have to maintain staffing levels of about 60 per cent to ensure that the quality of the price quotation is maintained.

Some blame US investment houses, which stay open to tie in with the opening of Wall Street. One leading US house commented: "Normally we have to provide coverage anyway, so we don't care whether the market is open or not."

The Stock Exchange shifted some of the blame on to the Old Lady of Threadneedle Street. "All the banks will be open today, so the board decided there was no justification to close early. We are following the Bank of England."





# BM counts pref acceptances

By Geoff Dyer

BM Group has received acceptances in respect of 94.3 per cent of the 9 per cent preference share capital of Blackwood Hodge, the company it acquired in 1990.

However, for the much smaller 5.75 per cent and 4.7 per cent classes of preference share, it received acceptances for only 14.1 per cent and 11 per cent respectively.

Three of the Blackwood Hodge preference shareholders have filed a petition at the High Court alleging that their interests have not been properly represented.

Mr Alun Hicks, BM's finance director, said: "We are delighted at this very satisfactory response from the large majority of preference shareholders." BM now intends to put Blackwood Hodge into liquidation.

Mr Stephen Cockburn, one of the petitioners, said: "This is a wholehearted endorsement from two of the classes of preference shareholders for the stance we have taken."

## Northern Electric hits out at bid

Northern Electric is strongly urging shareholders to ignore this week's £1.25bn takeover bid by Trafalgar House, writes David Lascelles.

In a letter to shareholders, the board of the Newcastle-based company says the bid is "wholly inadequate and unacceptable". It fundamentally undervalues Northern Electric, and offers no advantages to shareholders. The letter continues: "Northern Electric has demonstrated its ability to deliver value to shareholders and customers, and has a clear strategy to continue to do so as an independent company."

Some analysts believed the letter was meant to imply that Northern would entertain a higher bid, though many regulatory obstacles would have to be removed before a true contest could develop.

See Lex

## Johnston Press withdrawal

Johnston Press, the newspaper publisher and printer, is withdrawing from commercial printing with the sale of Wood Westworth and Yorkshire Communications.

The sums were not reported, but Johnston said that earlier provision for losses on disposal would be adequate. The activities incurred trading losses of £195,000 in the first half of 1994.

## WMGO issues warning

By James Whittington

Shares in WMGO Group fell 3½p to 14p yesterday after the business communications company issued a profits warning following the unexpected cancellation of three big projects.

Pre-tax profits for the year to February 28 were revised down from £2.2m to £1.35m by Beeson Gregory, company broker.

WMGO was transformed from the MMI sponsorship and financial marketing group earlier this year and reported pre-tax profits of £254,000 for the half year to August 31.

Two contracts were lost by Park Avenue, the exhibitions promotions business, and the third was cancelled over a fee dispute between its advertising agency and Sun Life.

# Debt talks need patience and trust

**Peggy Hollinger** considers the mechanics of complex reconstructions

Shareholders in Queens Moat Houses may not believe it, but they are relatively lucky to get proposals to resolve their company's financial crisis so quickly.

Compare the 20 months it took Barclays to guide all but one of Queens Moat's 74 lenders towards agreement, with the three years which shareholders in Heron Group have had to wait.

The long delays are symptomatic of the increasingly complex nature of debt reconstructions over the last decade.

"The corporate crises of the early 1970s were easier to deal with because there were fewer companies with multi-bank facilities," said Mr Eddie Theobald, who led the Queens Moat reconstruction talks for Barclays Bank.

Multi-bank facilities are a legacy of London's rapid expansion as a financial centre in the 1980s. With more foreign banks anxious to establish a presence in London, companies had no difficulty in raising loans from a variety of sources.

This makes untangling the financial web when companies fall into difficulty a Herculean task. "If you are dealing with a multi-bank company and the area of lending covers a number of jurisdictions, you know you have a problem in putting a reconstruction together," said Mr Theobald.

Debt reconstructions are generally sparked by a cash crisis which puts the company in danger of insolvency.

The first step in a reconstruction involving a number of lenders is to appoint a lead bank. In general, the bank with the largest exposure, if it is a UK clearing bank, will be asked to adopt the lead position. In Queens Moat's case, this role was given to Barclays.

**One of the most difficult tasks facing the steering committee will be to get each bank to agree its relative position**

"The first thing the lead bank must do is maintain stability," said Mr Theobald. "It has to keep things even so we do not witness an undignified scramble, with the banks cutting their lines and running for cover."

The lead bank will then call for an all-bank meeting, preferably within seven days, at which the lenders will be briefed on the financial situation and offered proposals for solving the difficulties.

This is where the reconstruction is likely to hit its first wall. If the lead bank cannot offer proposals in time for the all-bank meeting, it will have to ask the lenders to agree to a debt standstill.

Some lenders will be reluctant to do so until they have all the financial information. Generally, however, even if some refuse to sign, the principles of a standstill are adhered to until the information is available.

Nevertheless, this increases uncertainty in a situation where all the lenders must trust each other not to pull the plug.

The first all-bank meeting is also important as it appoints a steering committee to represent all the different types of lenders, both large and small. In Queens Moat's case these included lessors, debenture stockholders and straightforward term lenders.

The meeting will also begin to establish the blueprint for the ranking of creditors, their strengths and weaknesses in relation to each other.

The so-called dividend model is maintained throughout the debt negotiations and will determine the returns to various lenders when a reconstruction package is devised. One of the most difficult tasks facing the steering committee will be to get each bank to agree its relative position.

This is where the Queens Moat reconstruction could yet fall down.

One creditor is unhappy with its position in the dividend model and is vigorously resisting the package unveiled last week. . This is understood to be Trust Company of the West, the California-based debt trader. TCW bought its share of the Queens Moat debt in the secondary market.

The emergence of the debt trading industry, largely out of the US, is the greatest threat to what bankers in the UK call the London Approach. The heart of the London Approach is described by Mr Theobald as "exercising forebearance".

When a company faces insolvency the lenders decide to support it until enough information is gathered to determine whether it is viable.

Debt traders, however, have different agendas. Their interest is in making a quick turn on the investment, and the potential loss will be much less than that facing the original lenders.

"There is only one or two cases where debt traders bought debt from an unhappy bank and increased the stability," says Mr Theobald. "Our experience is that it leads to additional complexity."

If the debt traders are particularly unco-operative, the company could fail. So far, Queens Moat's bankers and advisers are confident the outstanding lender will eventually come on board.

However, the temptation for TCW to look out for its own interests could yet bring the company down.

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**COMPANY NEWS: UK AND IRELAND**

# Travelling by Clubb class

**Christopher Price** on the future for CTR without Robert Montague

Mr Ian Clubb, the new chief executive of Central Transport Rental Group, was yesterday plotting the company's strategy without the man he once described as crucial to the future of the business.

Mr Clubb took over the position at the indebted trailer rental company, formerly known as Tiphook, on Wednesday prior to Mr Robert Montague, the former incumbent, being declared bankrupt at Oxford county court yesterday.

Mr Clubb will also continue as non-executive chairman and with his other directorships at TLG, Expro and First Choice.

Mr Montague, who founded Tiphook 16 years ago, building it into one of the largest container groups in Europe, has personal debts said to be in excess of £35m.

"There is no doubt that the loss of Robert Montague is a blow," said Mr Clubb yesterday. "He added value. He is someone who really understands the trailer rental business. But life goes on.

"We have been aware of the possibility of Robert's bankruptcy for some time and have been putting into place contingency plans."

These have included a rationalisation programme at the group's headquarters, involving hefty staff cuts and relocating out of palatial Whitehall offices into more sombre surroundings in High Wycombe, Buckinghamshire.

It has also meant devolving more responsibilities to the regional managers. "We have an excellent team out there, and I am convinced that we can take the business forward from here," Mr Clubb said.

CTR recently reported sharply reduced losses of £7.2m for the half-year, although debts stood at £502m against shareholders funds of just £26.3m.

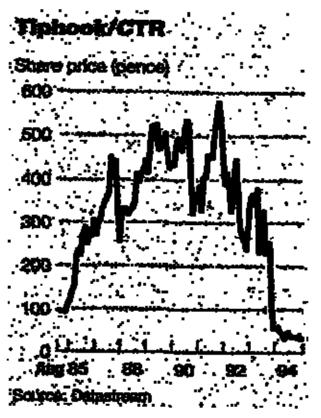
Industry opinion is divided over the group's long-term future. "Robert Montague's departure is the best thing that could have happened for CTR," said Mr Michael Williams, chief executive of Dawson-group, which specialises in trailer rental. "He has done a lot of damage to the company and had an adverse effect on the industry. He was too busy fighting fires to get on with the day-to-day things."

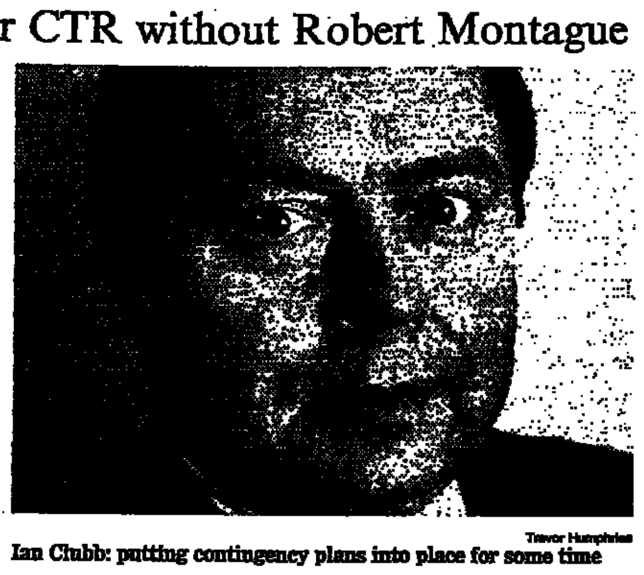
Mr Jim Cleary, a former director of TIP, Tiphook's main rival in the European container market, said: "What Robert Montague achieved was tremendous. This is a people business and he was very good at it. CTR will need a new chief executive who can build relationships with its major customers and motivate the sales force."

As important, he stressed, was the need for capital expenditure, a view echoed by industry analysts.

"CTR needs either a massive restructuring, or a big backer," said one. "Otherwise it will not be able to update its fleet and compete."

Another suggested that CTR's best hope lay with a friendly takeover as happened with GE's capture of TIP.



Trevor Humphries

Ian Clubb: putting contingency plans into place for some time

"There may be a future for CTR, but it will need considerable investment, and shareholders will not be the source of it," he said, a reference to the group's long-suffering investors who have seen the shares drop from nearly 600p three years ago to just 33p yesterday.

Mr Clubb agreed that a restructuring was inevitable, possibly some time next year, with a debt-for-equity swap considered the most likely solution.

Mr Montague's future is less assured. Although bankruptcy disqualifies him as a director, CTR had planned to employ him as a consultant. "I very much wanted to keep him on in some capacity but the legislation in this area made it too difficult," said Mr Clubb.

A friend yesterday described Mr Montague as "deeply distressed" at being made bankrupt. His creditor banks were last night discussing the appointment of a receiver to his estate, which includes an £8m mansion in Oxfordshire and a £7m yacht.

He is thought to have run up the bulk of his debts – possibly as much as £20m – by borrowing money against his shareholdings in Tiphook in order to take up his rights in the three issues the group made in the second half of the 1980s.

His lifestyle reflected his borrowings and included sports cars, a private jet, a country estate and cattle breeding, which earned him a reputation as an icon of the entrepreneurial 1980s.

Mr Montague's popularity with investors soured in the 1990s as Tiphook's fortunes began to wane and he attracted considerable criticism for the hefty salary increases – he earned £1.3m last year – and options benefits.

"Robert Montague's legacy is to leave behind a business that is the market leader in Europe," Mr Clubb said yesterday. Both Mr Montague and CTR investors may feel they have paid a high price for that position.

# Hall warns of £4.2m provisions for Stadco

By James Whittington

Hall Engineering (Holdings), the automotive engineering, steel products and stockholding group, announced a larger than expected restructuring of Stadco Automation, its automotive pressings and production systems business, which will require provisions of £4.2m.

Hall's shares fell 13p to 150p and analysts said they expected pre-tax profits for the year to be reduced from an estimated £5m to about £800,000. However, the company said it hoped to maintain the final dividend at 3.02p, which will be paid from reserves.

The move comes less than two months since Mr John Sword took over as managing director.

Mr Alastair Smith, finance director, said Stadco had suffered from a lack of new orders because of strong competition and a slowdown of car sales in Europe. He said the restructuring would involve 125 redundancies, or half the division's workforce, along with a write-down of certain assets, mainly plant and equipment.

The estimated cash cost of the restructuring is £3.1m, including the cost of redundancies, pension top-ups and provisions on current contracts with Audi which have suffered delays.

The group issued a profit warning in May in anticipation of restructuring costs of about £500,000 at Stadco and because of competitive pressure across all its divisions. Interim pre-tax profits were later reported down from £3.75m to £2.01m.

# Independent News takes 25% stake in Irish Press

By John McManus in Dublin

Independent Newspapers, the Irish publishing and media company, has taken a 24.9 per cent stake in the Irish Press, Ireland's second largest newspaper group, in what is seen as a defensive move.

Mr Conrad Black's Telegraph Group is also understood to have been interested in taking a stake in the ailing company, which is losing I£300,000 (£295,000) a month.

Independent, headed by Mr Tony O'Reilly, is anxious to prevent a takeover of the Irish Press by non-Irish interests which could introduce low-cost production and threaten sales of Independent's titles, which dominate the Irish daily, weekly and provincial markets.

Although the Irish Press said it was looking for additional investors, Independent is expected to have a say on who they will be.

Mr Richard Bruton, Irish minister for enterprise and employment, has requested details of the investment in order to decide if it has to be approved under Irish monopolies legislation. The stake is just under the 25 per cent level above which it would automatically need government approval.

Independent has paid I£1.13m for 24.9 per cent of the two operating companies in the group, Irish Press Newspapers and Irish Press Publications. Also, it has provided a secured loan of I£2m for working capital which has assured the immediate survival of the papers.

The investment was not made in the holding company, Irish Press, as it is currently involved in legal proceedings with a previous investor in the Irish Press, Ingersoll Irish Publications, owned by Mr Ralph Ingersoll, a US businessman.

# Royal Bank's life arm shows 60% income rise

By Alison Smith

Sales of guaranteed equity plans and bonds helped Royal Scottish Assurance, the life insurance subsidiary of Royal Bank of Scotland, to increase its new premium income by more than 60 per cent in the year to September 30.

Mr Ian Kerr, head of marketing, said that the increase was also because of significant growth in the sales force from slightly more than 200 to almost 300 over the year.

Royal Scottish's new annual premiums were broadly flat at £17.6m (£17.1m), but new single premiums rose by 70 per cent to £249.5m (£146.4m). Funds under management grew by 56 per cent from £272.3m to £424m.

Mr Kerr said the company planned a further, smaller increase in the sales force next year, but other factors might have a depressing effect on the market in general.

The introduction of the new regime requiring sales agents to volunteer more information about the policies they sell and the cost of selling them is thought by many in the industry to have a negative effect on sales volumes.

Mr Kerr also said that if interest rates rose next year, as expected, some traditional bank and building society customers would be discouraged from switching to investment products because they were dissatisfied with low savings rates.

# Greenwich wins tender for Czech gold

Greenwich Resources, the metals and minerals exploration group, yesterday announced it had won the tender for the award of the Rozmital Exploration Area in the Czech Republic, writes Peter Franklin.

The area includes the Hora gold deposit, which is reported to have a near-surface resource of more than 800,000 ounces.

Greenwich also announced it was to raise £3.9m net of expenses through a placing and open offer. Of the new funds, £1.8m will be raised by way of a placing of 13.5m shares and £2.1m through an open offer of 14.7m shares, both at 15p. The shares dipped ¼p to 15¾p yesterday.

The open offer, which is not being underwritten, is on a 1-for-6 basis. Qualifying shareholders may make additional applications in respect of the open offer.

Mr Colin Phipps, chairman, said a large part of the proceeds would be applied to maintaining the group's 49 per cent interest in the Sappes gold exploration joint venture in Greece.

The nearby Pefka Concession, in which Greenwich has a 100 per cent interest, will also be evaluated, along with the Hora gold deposit.

Greenwich also announced it had ended the year to September 30 with a pre-tax loss of £185,000, against a profit of £106,000.

Operating income fell to £109,000 (£374,000) and administrative expenses, after capitalisation of overheads of £149,000 (£145,000) rose slightly to £323,000 (£285,000).

Losses per share were 0.2p (0.1p earnings).

## Seafield sells £1.8m gas field interest

Seafield, the USM-quoted exploration company, is selling its 10 per cent interest in North Sea Block 43/30, including the Schooner gas field, to Eastern Natural Gas (Offshore), a subsidiary of Eastern Group, for £1.82m cash.

The company has also been granted a 25 per cent interest in Permit WA 259P in the Camarvon Basin, offshore Western Australia.

**NEWS DIGEST**

# Merivale in £34m joint investment

Merivale Moore, the commercial property investment company, and Warner Estate Holdings have jointly purchased the Eastern and Western Property Portfolios from AMP Asset Management for £34m.

The portfolios comprise 49 freehold and two leasehold commercial investment properties with a combined net income of more than £3.7m.

The companies, which will have equal shares in the venture, intend to liquidate the portfolio over the next two years.

## Scottish Equitable

Aegon, the Netherlands' second-largest insurance group, has agreed to inject a further £150m into its Scottish Equitable unit in line with its initial investment agreement.

The money will be used to develop the company and pensions and investment business.

Edinburgh-based Scottish Equitable, which was taken over by Aegon in 1993, said new business in 1994 was up 20 per cent, indicating "substantial gains in market share".

## M&G Second Dual

The split capital M&G Second Dual Trust had a net asset value per capital share of 601.32p at November 30, against 627.25p a year earlier.

Net revenue for the six month period improved to £1.43m (£1.33m) for earnings per income share of 14.27p (13.29p). An interim dividend of 14.3p (13.22p) is declared.

## Flying Flowers

Flying Flowers, the Jersey-based flowers-by-post concern, has forecast an increase in 1994 profits from £1.1m to more than £1.75m – an increase of at least 59 per cent.

The company, which saw its shares edge ahead 1p to 81p yesterday, said that Christmas trading had now been completed and was "well in excess of 1993". This had contributed to an "excellent year" for the business.

The full year results will be announced in mid-February.

## COMMODITIES AND AGRICULTURE

# UK Christmas tree buyers go up-market

## Customers want bushier varieties that do not drop their needles, writes Alison Maitland

Hormone therapy for Christmas trees might sound a bit far-fetched. But the novel technique is being tested for the first time in the UK as part of a drive by growers to respond to the demands of an increasingly discerning public.

For decades British customers have been content to buy a traditional Norway spruce at Christmas and sweep up the needles as they drop off in centrally heated living rooms. But now the market – which takes over 5m trees worth at least £50m a year – is demanding varieties with no "needle drop" and developing a taste for bushier or more scented types, with less spiky needles.

Hormone therapy, already used in Denmark, involves spraying the central leader, or main spike, of the Christmas tree to inhibit its growth and allow the side branches to become more bushy.

Mr Joseph Noblett, a dealer based near Preston in Lancashire, plans to try it out on top-priced Noble firs on several plots in Scotland next year. He sells about 30,000 trees a year, most of which are Lodgepole pines from Scotland – similar to Scots pines but with darker, straighter needles. Bushy growth on these trees can be encouraged through seed selection without the need for expensive hormone treatment.

"We believe there's been a significant growth in the market for Lodgepole pines in the last couple of years, particularly in the north of England and the Midlands," he says.

Enthusiasm for the Lodgepole is a bonus for woodland owners, who have used the trees for the past two decades as a "nurse species" to force the growth of Sitka spruce, the main timber tree. Lodgepoles are good at taking up nutrients from deep, peaty soil, which they then transfer to the Sitkas as their roots inter-link.

Normally they wither and die after 25 to 30 years as the Sitkas shade them out, says Mr Bruce Taylor, forestry manager with Bell Ingram, a firm of chartered surveyors, which manages 25,000 acres of commercial woodland on estates in northern Scotland. However, the more recently introduced Alaskan variety of Lodgepole is proving suitable for the Christmas tree market and can provide landowners with a net return of up to £3 a tree when harvested after seven to 10 years, once its "nursing" role is over.

"The Lodgepole's main asset is that it holds its needles," Mr Taylor explains. "It can be cut in October and still have its needles in mid-January. The Norway spruce has to be cut in December, otherwise the needles will fall off."

The cost of Lodgepole or Scots pines is the same as or slightly more than that of Norway spruces. Yet despite the recession, the biggest growth in the market has been in the more elegant and expensive Nordmann and Noble firs, according to the British Christmas Tree Growers' Association. These have softer needles, stronger branches and a more pronounced scent and they command a retail price of about £5 a foot, compared with £2 a foot for a Norway spruce.

"People are keen to have real trees, and there's quite a lot of money about," says Mr Tony Richardson, the association's secretary. The market share of the Nordmann fir has grown from 5 per cent to 15 per cent in the past five years, while that of the Norway spruce has dropped from 75 per cent to 60-65 per cent. As growers have learnt to shape Lodgepole and Scots pines for the Christmas market, their share has risen to about 10 per cent.

Less than a fifth of the trees on sale in Britain this year are imported – mainly from Denmark and Belgium. This is partly because expert Danes have begun to grow Christmas trees in the UK and partly because British producers are improving their methods.

Woodland managers like Bell Ingram are urging landowners to take advantage of the Christmas market and increase production. Otherwise, they believe, UK supplies of pines like the Lodgepole could become scarce because of the decline in new timber plantings that followed the abolition of tax concessions in 1988.

"The market is being built up just now, but it might disappear again," says Mr Taylor.

# Anglesey mine hopes revived

By Kenneth Gooding, Mining Correspondent

Hopes have been raised again that Britain's first big base metals mine for decades will be developed at Parys Mountain, Anglesey.

This follows a change in the majority shareholder at Anglesey Mining, the London-quoted company that has been dormant for two years after running out of cash for the mine, which was to have produced zinc, lead and copper plus a few troy ounces of gold.

However, Mr John Kearney, well-known in the mining industry as chairman of Northgate Exploration, a Canadian company, and who has taken over as chairman of Anglesey, is cautious about prospects. He says that, although his objective is to see the UK company as an active mining company, at present there are no plans to re-start the Parys Mountain project.

First Anglesey's outstanding debts have to be dealt with. Then Mr Kearney promises "we will take another look at the Parys Mountain project. It has titillated mining companies for decades". Anglesey spent about £8.5m in four years on the project and Mr Kearney says that all the work will be reviewed. "It is a marginal property. We will see if mining can be done more cheaply, more efficiently."

The Parys Mountain area of North Wales has a long mining history, dating back to Roman times. During the late 18th century it had one of the world's largest copper mines, supplying much of the metal required for Britain's industrial revolution.

About 3.5m tonnes of rock was moved by hand, pulled up from a growing pit by ropes and eventually the mountain contained the biggest man-made hole in the world – a position it retained until the late 1890s. Mining eventually ended in 1911 after 143 years of almost continuous activity during which an estimated 130,000 tonnes of copper was produced.

Backing the attempted revival of the Anglesey company is Mid Ocean Investments, a private, Bermuda-based corporation which Mr Kearney says "represents private money which believes in the mining business". He is a director of Mid Ocean.

Mid Ocean acquired a 29.3 per cent stake in Anglesey from Imperial Metals, another Canadian company which previously backed Anglesey and is left with 11.9 per cent. Mid Ocean also bought all of Imperial's loans to Anglesey totalling £1.8m. Mid Ocean has agreed not to call these in, says Mr Kearney.

However, there is another £800,000 owed to about 12 third-party creditors so the debt must be restructured.

# BHP iron ore price settlement disappoints other producers

## Bob Jones on the implications of a bench-mark deal reached this week with Japanese steel-makers

The international bench-mark prices for 1995 iron ore deliveries settled by BHP in Japan on Wednesday go some way to make up the drop suffered by miners this year. The reaction of BHP's fellow suppliers, however, has been less than enthusiastic.

The details are that iron ore fines prices, on an f.o.b. basis, will rise by 5.8 per cent for deliveries to Japan from April 1 next year. The new BHP fines price is 27.15 cents for each 1 per cent of pure Fe content (or, per dry long ton unit). The new lump ore price of 33 cents a lont ton unit represents an increase of 7.9 per cent and gives BHP a rough overall price rise for its Japanese deliveries of 6.9 per cent. Most miners had been hoping for the fines price to rise by a high single-digit percentage.

BHP ranks as the second largest Australian iron ore supplier to Japan after CRA's Hamersley Iron. In 1994 its Japanese shipments are likely to total about 11m tonnes – 800,000 tonnes higher than the minimum it contracted to supply during 1994. Its minimum contractual tonnage in the 1995 fiscal year will be 13.6m tonnes.

By settling before Hamersley BHP regained some of the clout as an iron ore supplier that it lost when a wall collapsed at its Mt Whaleback mine in 1989 and the company had to declare *force majeure*. The settlement also established a new record premium in Japan for lump over fines of 8.74 cents. Lump ore makes up just over half of BHP's Japanese deliveries.

To many in the ore trade, however, the fact that BHP has recently been supplying more than its minimum obligation in what is supposed to be a disastrous financial year for the Japanese mills indicates that the suppliers could have got higher prices. It is true that Japanese steel Mills have been heavily lossmaking until very recently, but there are undeniable signs of recovery. Japanese crude steel output in November was 15 per cent higher than in November 1993.

In the latter half of 1994, iron ore consumers, especially in Europe, have been concerned about running short of higher grade lump and pellet. Unlike fines, these grades are directly chargeable to the blast furnace and do not require sintering. European steelmakers, especially in Benelux and Scandinavia, are closing their sinter plants for environmental reasons, adding to the pressure on direct-charge ores.

Steelmakers, which in Europe and Japan tend not to have direct stakes in iron ore mines, are often accused of ignoring the necessity of allowing miners a reasonable return on investment. In the economically sluggish years since 1990 iron ore prices have fallen.

Miners are nowadays frequently heard to say that prices are returns are insufficient to justify the expansions or developments of new capacity needed to ensure healthy supply in the future.

Analysts believe supplies of lump and pellet will be tight throughout 1995, with fines remaining in balance. Investment may not be taking place in large greenfield mine developments, but there have been just about enough expansions or capacity replacements to cover short-term consumption.

Hamersley's new Marandoo mine in Western Australia and the M'haoudat mine in Mauritania are among the most significant such developments this year. China's continuing hunger for imported iron ore was witnessed in the opening by Portman Mining of a new joint venture mine at Koolyanobbing in Western Australia dedicated entirely to supplying China. In addition Venezuela's CVG opened a 3m-tonnes-a-year pelletising plant last month. In April 1995 LKAB of Sweden plans to inaugurate its 4m-tonne pelletiser at Kiruna.

Until ore prices improve sufficiently to allow large-scale investment for the blast furnace market, the ore industry's attention will be focused on developing direct-charge products for the direct reduced iron sector. DRI is the fastest growing area in iron making, because the various DR technologies are beginning to prove themselves as viable alternatives to traditional blast furnace-based steelworks. Smaller scale, cleaner plants can be built at a fraction of the cost of the traditional works.

Already this year the leading US mini-mill, Nucor Corp, has opened the world's first iron carbide plant in Trinidad. BHP is also on the point of approving the construction of an export-oriented hot briquetted iron plant in western Australia. India has built a 5m-tonnes-a-year DRI industry in the last few years. Further investments in DRI have been announced in South Korea, Venezuela and Bahrain.

The volume of iron ore consumed in DR iron making is still small compared with the blast furnace sector. The total seaborne trade in iron ore this year has been estimated at 368m tonnes. Annual world production of DRI has only just topped 2.5m tonnes, but the demand for DR-grade ores is likely to double in the next few years. Prices for DR-grade ores look set to outstrip those in the blast furnace sector.

The fact that scrap consuming mini-mills such as Nucor, which are the fastest growing steelmakers in the world, are themselves beginning to invest in the new iron making processes spells hope for the iron ore industry in the long term.

*Bob Jones is a deputy editor of Metal Bulletin magazine.*

# Titanium development to cost over A$200m

By Nikki Tait in Sydney

Broken Hill Proprietary, the Australian resources group, is to invest over A$200m (£99m) in developing a titanium minerals deposit at Beenup in Western Australia.

When operational, in about a year's time, the dredge mining and mineral separation operation at Beenup will generate about 600,000 tonnes of ilmenite and zircon a year. BHP added that it had also negotiated a smelter joint venture with the Tinfos group in Norway to process the ilmenite from the mine into high-quality titanium pigment feedstock. This will be used in the Tinfos Titan & Iron smelter at Norway's Tyssedal.

Sale contracts covering the bulk of the ilmenite and slag output had been negotiated, BHP said.

The Beenup deposits, discovered in 1988, contain an indicated resource of 83m tonnes of ilmenite. Of this, 33m tonnes is measured. BHP said there was also exploration potential, which could extend the resource. The company's shares closed 14 cents higher on the news, at A$19.60.

● Robe River, the iron ore producer which is 53 per cent owned by Australia's North group, yesterday announced that it had negotiated a 7.3 per cent increase in the selling price of iron ore sinter fines for 1995-96 in its annual contract negotiations with the Japanese steel mills.

It said it had also agreed a guaranteed minimum sales volume to Japan of 12.5m dry long tons for 1995/6, the same as in the current year.

Much of the benefit of rises in the pricing current round could be eroded by the increased strength of the Australian dollar over the past year. The contract prices, and the percentage increases, relate to US dollars.

## COMMODITIES PRICES

### BASE METALS

**LONDON METAL EXCHANGE** (Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne) · ■ ALUMINIUM ALLOY ($ per tonne) · ■ LEAD ($ per tonne) · ■ NICKEL ($ per tonne) · ■ TIN ($ per tonne) · ■ ZINC, special high grade ($ per tonne) · ■ COPPER, grade A ($ per tonne) · ■ LME AM Official £/$ rate · ■ HIGH GRADE COPPER (COMEX)

[illegible]

### PRECIOUS METALS

■ LONDON BULLION MARKET (Prices supplied by N M Rothschild)

[illegible]

### Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.) · ■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.) · ■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.) · ■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

[illegible]

### ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel) · ■ CRUDE OIL IPE ($/barrel) · ■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.) · ■ GAS OIL IPE ($/tonne) · ■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu) · ■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

[illegible]

### GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne) · ■ WHEAT CBT (5,000bu min; cents/60lb bushel) · ■ MAIZE CBT (5,000 bu min; cents/56lb bushel) · ■ BARLEY LCE (£ per tonne) · ■ SOYABEANS CBT (5,000bu min; cents/60lb bushel) · ■ SOYABEAN OIL CBT (60,000lbs; cents/lb) · ■ SOYABEAN MEAL CBT (100 tons; $/ton) · ■ POTATOES LCE (£/tonne) · ■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

### SOFTS

■ COCOA LCE (£/tonne) · ■ COCOA CSCE (10 tonnes; $/tonnes) · ■ COCOA (ICCO) (SDR's/tonne) · ■ COFFEE LCE ($/tonne) · ■ COFFEE 'C' CSCE (37,500lbs; cents/lbs) · ■ COFFEE (ICO) (US cents/pound) · ■ No7 PREMIUM RAW SUGAR LCE (cents/lbs) · ■ WHITE SUGAR LCE ($/tonne) · ■ SUGAR '11' CSCE (112,000lbs; cents/lbs) · ■ COTTON NYCE (50,000lbs; cents/lbs) · ■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

### VOLUME DATA

[illegible]

### INDICES

■ REUTERS (Base: 18/9/31=100) · ■ CRB Futures (Base: 1967=100)

[illegible]

### MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs) · ■ LIVE HOGS CME (40,000lbs; cents/lbs) · ■ PORK BELLIES CME (40,000lbs; cents/lbs)

[illegible]

### LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME · ■ COPPER (Grade A) LME · ■ COFFEE LCE · ■ COCOA LCE · ■ BRENT CRUDE IPE

[illegible]

### LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Feb) · ■ OIL PRODUCTS NWE prompt delivery CIF (tonne) · ■ OTHER

[illegible]

### JOTTER PAD

## CROSSWORD

No.8,644 Set by DANTE

**ACROSS**

1 Tear one's clothes off (6)
4 Guard of honour (8)
9 Figure it may be burnt (6)
10 Once said to be a bishop (8)
12 Melancholy airs of the Royal Horse Guards (3,5)
13 It may describe an arrangement for all, perhaps (6)
15 Reflection of one's own outspoken views (4)
16 Hammer the piano keys for money? (5,5)
19 It provides an opportunity for advanced theatrical work (5,5)
20 Take-off point, with equipment (4)
23 Hare-brained feline put in a pen (6)
25 Member of a musical group (8)
27 He's having an off-day (8)
28 Sure to change one's ways (6)
29 Marking time in politics? (8)
30 It limits one's outlook (6)

**DOWN**

1 Comes to respect the royal staff (7)
2 Is it paid to, or bought from, a barman? (9)
3 Financial backer has a girl's name (6)
5 Hydrogen air-locks (4)
6 Preserving choice fish (8)
7 One is vertical in flight (5)
8 No more Latin to perplex one (7)
11 Arranged rosters for holidays, perhaps (7)
14 Eton is of note (7)
17 Please accept this gratuitous advice (4,2,3)
18 Natural aptitude demonstrated this month in court (8)
19 Sort of sausage still being produced (7)
21 Country is one with fish about (7)
22 I'd join one unusually coy in stupidity (6)
24 Religious passage – a tissue of lies (5)
26 A flying duck (4)

Solution 8,643

# LONDON STOCK EXCHANGE

MARKET REPORT

# End-year rally sees FT-SE on the verge of 3,100

By Steve Thompson

The UK market took another hard look at the 3,100 level on the FT-SE 100 but ultimately failed in its effort to break through that level, despite more good news on the domestic economy, underlying takeover speculation and renewed strength on Wall Street.

The general expectation around London's trading days after the market closed was that the 100 index should manage to move through what is seen as a substantial chart level if Wall Street managed to hold the level it was trading when London dealersclosed their books for the day.

But a move above 3,100 is by no means a foregone conclusion, dealers said. "It could well be something of a trial of strength in the market, with the futures boys trying to drive the underlying market through that level; but you must remember that the Liffe market closes shortly after noon and there are stories that the market's bears could move in to sell the cash market," said a senior marketmaker.

The stockmarket remains open until the normal 4.30pm close, after a Bank of England request, apparently to provide liquidity for the gilts market.

At the end of another session of keen interest in equities, the FT-SE 100 index closed 21.3 higher at 3,091.7, its highest closing level since November 21, and a rise of 148.3, or 5 per cent, since December 13. The FT-SE Mid 250 index also made rapid progress, closing 19.3 higher at 3,485.9.

There was reassurance around the City's dealing rooms at the relatively high levels of customer activity still going on so close to the Christmas holiday. Turnover yesterday totalled 577.4m shares, with non-FT-SE issues providing activity in 345.7m shares, or 60 per cent of the overall figure. Wednesday's good turnover levels translated into lucrative customer business for the market with deals worth £1.65bn; well above recent daily levels and a figure given a warm welcome in the market.

The securities industry has been hit by a series of small but widely publicised job losses recently and the feeling around the City of London is that the market needs a strong boost to head off what are expected to be further losses in the near future. Rumblings of substantial mergers between some of the big UK marketmaking firms and overseas firms, mainly US, have been heard for some weeks. One story doing the rounds in London was that Chase Manhattan, the US bank, could be seeking to re-establish a presence in the European/UK equity markets after its expensive foray in the wake of the Big Bang.

London began the session in good form and apart from an early bout of selling pressure, which was never more than an irritant, performed strongly all day.

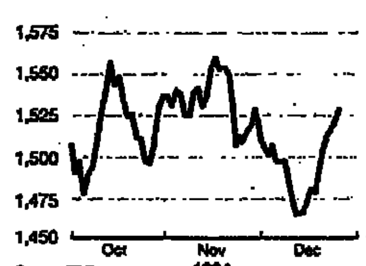
The early thrust for the market came from the US which jumped more than 50 points at one stage before settling 34 higher. Sentiment was bolstered in mid-morning with news that the UK's balance had moved into the black to the tune of £846m in the third quarter, the first positive quarterly result since 1987.

The marginal downward revision of third quarter gross domestic product, from a 0.9 per cent rise to one of 0.8 per cent, giving an annualised growth rate of plus 4.1 per cent, gave the market no cause for concern.

The good economic news and a strong opening performance by Wall Street, where the Dow showed a double-digit rise shortly after the opening and was up over 20 points two hours after London closed, provided a real boost to UK equities and drove the FT-SE 100 up more than 25 points, before it eased slightly at the close.

BP, one of the UK market's great success stories over the year, approached its all-time peak, with UK institutions still trying to achieve market weightings in the stock.

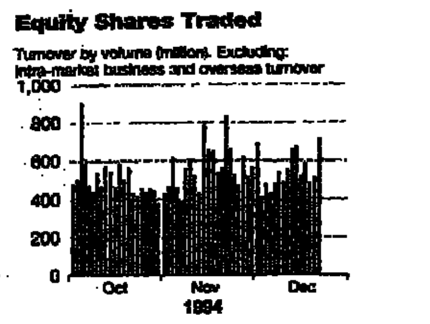
### FT-SE-A All-Share Index




Source: FT Graphite

### Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover




### ■ Key Indicators

**Indices and ratios**

| | | | | | |
|---|---|---|---|---|---|
| FT-SE 100 | 3091.7 | +21.3 | FT Ordinary index | 2374.4 | +18.7 |
| FT-SE Mid 250 | 3485.9 | +19.3 | FT-SE-A Non Fins p/e | 18.14 | (18.02) |
| FT-SE-A 350 | 1545.7 | +10.1 | FT-SE 100 Fut Mar | 3125.0 | +33.0 |
| FT-SE-A All-Share | 1529.09 | +9.61 | 10 yr Gilt yield | 8.57 | (8.57) |
| FT-SE-A All-Share yield | 4.00 | (4.03) | Long gilt/equity yld ratio: | 2.16 | (2.15) |

| Best performing sectors | | Worst performing sectors | |
|---|---|---|---|
| 1 Gas Distribution | +1.7 | 1 Insurance | -0.8 |
| 2 Property | +1.6 | 2 Pharmaceuticals | -0.4 |
| 3 Water | +1.5 | 3 Other Services & Bsns | -0.4 |
| 4 Retailers, Food | +1.3 | 4 Tobacco | -0.2 |
| 5 Food Manufacturers | +1.2 | 5 Engineering, Vehicles | +0.0 |

# US link talk lifts C&W

Bolstered by talk of a possible deal with US telecoms giant AT&T, shares in Cable and Wireless continued to improve, moving forward 5 to 381p in 6.8m turnover.

Speculation suggests that the group's hard pressed Mercury subsidiary has become the focus of AT&T's expansion plans following this week's granting of a licence allowing the US group to offer a full range of telephone services in the UK.

Past link-up talks between the two groups have foundered. But the severe price and volume squeeze under way at Mercury, which is widely estimated to face a 10 per cent fall in operating profits in 1995, is said to be putting urgent impetus behind the present discussions.

According to one whisper, C&W is about to split Mercury into two companies – services and network – and that AT&T is prepared to buy up to 30 per cent of Mercury's network operations. These, according to Nomura Securities, have a basic value of around $1.2bn.

This week C&W has outperformed the market, having lagged behind by around a fifth on a 12-month view.

## Wellcome support

Pharmaceuticals group Wellcome was restrained in early trading as the latest audit data on sales of its Zovirax treatment for herpes prompted profit-taking. The data were not believed to be seriously worrying but Wellcome, along with other leaders in the sector, has performed strongly.

Then in the afternoon there was heavy buying of traded options, fuelling old bid speculation and the stock recovered to close 3 higher at 709p.

Zeneca fell in spite of the acquisition of 50 per cent of Salick Healthcare for $195m. The deal will expand Zeneca's involvement in cancer care and was described by Mr Paul Krikler of Goldman Sachs as an "excellent move". But the shares dipped 6 to 893p as dealers noted that they had hit a record high on Wednesday.

Shares in property group Stanhope were suspended pending clarification of the company's financial position. The shares had advanced a penny to 8p before the mid-afternoon suspension, which came as the market waited to hear if the group's bankers would come up with a financial rescue plan.

The £1.5bn offer for Kuwaiti owned St Martins Property reported earlier this week continued to boost demand in the rest of the sector. Hammerson, which announced the acquisition of two retail property sites in Canada, put on 5 at 348p.

Insurers were sold down on growing concern that the cut in household insurance premiums by the Halifax would lead to a price war, but some houses were taking a more fundamental approach which led to a strong two-way tussle in the sector.

Some integrated securities houses were ignoring the impending margin pressures and concentrating on the valuations of the stocks compared to their net asset values. UBS was one house which was actively supporting the sector, and which bought several of the composite stocks up from their lows. Sun Alliance, the main underwriter for the Halifax and which was off 11 at worst, also received support from an SGST buy recommendation. It ended the day only 3 lower at 297p.

General Accident, off 14 at one stage, closed 4 down at 515p and Royal Insurance moved from 11 off to end a net penny down.

The rumoured dawn raid on bid target Northern Electric did not happen but the shares rose 7 to 1007p in anticipation. The view is that Swiss Bank Corp, acting for Trafalgar, will soon go into the market to try and buy around 10 per cent of Northern's shares.

The latest speculation in the water sector suggested international conglomerate Hanson may launch a bid for Welsh Water. The latter raced 12 ahead to 650p and Hanson firmed 1¾ to 234p.

The recent recovery seen in the stores sector was extended yesterday as optimism about Christmas trading continued in some quarters. Great Universal Stores gained 11½ at 543p and Argos 4 at 349p. Marks and Spencer brushed aside a James Capel profits downgrade to end 4 ahead at 396p.

News that fund manager Jupiter Tyndall was in talks over its possible acquisition gave a shot in the arm to others within the sector. Gartmore appreciated 6 to 182p, Invesco 3 to 166p and Perpetual 30 to 1165p. However, Jupiter lost 9 at 393p.

Hotels and leisure group Ladbroke gained 5 at 170p in trade of 5.6m, with dealers reporting further switching into the stock from Rank Organisation, 2 lighter at 408p. Yesterday's trades followed a move by Goldman Sachs earlier this week in which it switched a large holding out of Rank and into Ladbroke.

Granada Group was another stock said to have benefited from some switching out of Rank. The shares climbed 10 to 506p as greater note was taken of a recent buy recommendation from BZW. A circular from the investment bank said Granada "has made very clear its resolve to keep dividends rising strongly".

Burmah Castrol moved ahead 14 to 798p after S.G. Warburg upgraded the company to "add" from "hold" following the stock's recent poor showing relative to the overall market. Warburg said the shares had underperformed the market by 13 per cent since August when they reached a 12-month peak of 915½p.

A big buyer for tightly traded Associated British Foods helped the shares appreciate 14 to 582p.

Food manufacturer Canadian Pizza stunned the market with its second profits warning this year, prompting brokers to downgrade estimates. The shares dipped 6 to 83p.

BTR was the most heavily traded Footsie stock, notching up turnover of 13m shares following news of the latest acquisition within its far flung empire. BTR Nylex, the 62 per cent-owned Australian unit, is paying A$800m for the US group which makes Formica laminates. BTR shares put on 3½ at 290p against a background of heavy switching with the 1995 warrants.

A buy note from Henderson Crosthwaite focusing on break-up value helped to lift British Aerospace. The agency broker's revised break-up value for BAe is 800p, against which the shares, up 5 at 431p, stand at a discount of 45 per cent.

Hall Engineering tumbled 13 to 150p following the announcement of £4.2m reorganisation provisions. Process plant specialist APV eased 2 to 54p, with turnover in the stock boosted to 5.5m as several largish lines of stock went through the market. Analysts have begun to suspect that the group's restructuring timetable, initially scheduled for late this year, has been put back to early in 1995.

**MARKET REPORTERS:**
**Peter John, Joel Kibazo, Jeffrey Brown.**

■ Other statistics, Page 20

## NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (37).
BREWERIES (2) Regent Inns, Wetherspoon (JD), ELECTRICITY (1) South Western, ELECTRNC & ELECT EQUP (1) Telspec, ENGINEERING (1) Cobham, ENG, VEHICLES (1) Honda Motor, EXTRACTIVE INDS (2) Kenor, Reunion, FOOD MANUF (1) Carr's Milling, INSURANCE (1) American Intl., INVESTMENT TRUSTS (9) INVESTMENT COMPANIES (2) LEISURE & HOTELS (1) Chrysalis, MEDIA (1) Metal Bulletin, OIL, INTEGRATED (1) Woodside, OTHER FINANCIAL (1) Jupiter Tyndall, OTHER SERVS & BUSNS (1) Waste Recycling, PHARMACEUTICALS (3) Lilly (E), SmithKline Beecham A, Zeneca, PROPERTY (2) Carlisle, TBI, SUPPORT SERVS (2) MMT Computing, Page (M), TRANSPORT (1) Go-Ahead, AMERICANS (3) Abbott Laboratories, Amdahl, Gillette.
NEW LOWS (63).
BUILDING & CNSTRN (3) Banner Homes, Cussins, Eve, DIVERSIFIED INDLS (2) Harrisons & Crosfield, Staveley, ENGINEERING (3) APV, FKI, ENG, VEHICLES (1) Motor World, EXTRACTIVE INDS (1) Straits, FOOD MANUF (2) Canadian Pizza, JJJ, HEALTH CARE (1) Amersham Intl., HOUSEHOLD GOODS (1) Jeyes, INVESTMENT TRUSTS (15) LIFE ASSURANCE (1) Transatlantic, MEDIA (4) News Intl. Special Div., United Newspapers, WMGO, Do Wrts., OTHER FINANCIAL (2) Energy Capital, Sharelink Inv., OTHER SERVS & BUSNS (1) Leigh Interests, PRTNG, PAPER & PACKG (1) British Thornton, PROPERTY (3) Debenham Tewson & Chinnocks, Ex-Lands 7¾pc Cnv. 2020, Tops Estates, RETAILERS, GENERAL (2) Body Shop Intl., House of Fraser, SUPPORT SERVS (4) CRT, Clinical Computing, MR Data Management, Vistec, TEXTILES & APPAREL (4) Alexandra Workwear, Coats Viyella, Faupel Trading, Rexmore.

## EQUITY FUTURES AND OPTIONS TRADING

Stock index futures had another strong session, with the FT-SE 100 March contract breaking through the 3,115 resistance level, *writes Jeffrey Brown.*

The day's performance was strung about with all sorts of buying signals, dealers said, adding that were it not for the seasonally low level of activity the market could be expected to surge further.

At the close of pit trading the March contract had reached 3,125, up 32 points for a five-day advance of 132 points. The premium to the cash market was 34 points, or 10 points above fair value.

There was a limited amount of genuine buying during the morning session, but for the most part activity was nominal. Less than 4,000 contracts were traded up to the official 4.10pm close.

In contrast, the traded options market had a busy day with 26,465 lots transacted. The main feature was the high proportion of call business. At 17,223 lots, calls outstripped puts by almost two-to-one, their best day since mid-October.

The most active stock option was drugs group Glaxo at just under 2,000 contracts traded. Dealers said business was steady, with the recent strong rise in the cash market providing the spur. Wellcome, Hanson and Marks and Spencer were also actively traded. Wellcome had 1,853 lots dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3104.0 | 3125.0 | 33.0 | 3135.0 | 3100.0 | 9555 | 55497 |
| Jun | - | 3137.0 | +32.5 | - | - | 0 | 2925 |

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 3505.0 | 3515.0 | +22.0 | 3515.0 | 3505.0 | 71 | 3897 |

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

Mar 3495.0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3091) £10 per full index point

| | 2900 C | 2900 P | 2950 C | 2950 P | 3000 C | 3000 P | 3050 C | 3050 P | 3100 C | 3100 P | 3150 C | 3150 P | 3200 C | 3200 P | 3250 C | 3250 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | [illegible] | | | | | | | | | | | | | | 8½ | 151 |
| Feb | [illegible] | | | | | | | | | | | | | | 30½ | 165 |
| Mar | [illegible] | | | | | | | | | | | | | | 53½ | 183 |
| Apr | [illegible] | | | | | | | | | | | | | | 68 | 204½ |
| Jun† | [illegible] | | | | | | | | | | | | | | | |

Calls 3,344 Puts 2,592

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

| | 2925 C | 2925 P | 2975 C | 2975 P | 3025 C | 3025 P | 3075 C | 3075 P | 3125 C | 3125 P | 3175 C | 3175 P | 3225 C | 3225 P | 3275 C | 3275 P |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Jan | 184½ | 6½ | 150½ | 12 | 110½ | 22 | 75 | 35 | 48 | 59 | 27½ | 88 | 13½ | 124 | 6½ | 165 |
| Feb | 228 | 21 | 180½ | 31 | 144 | 44 | 112 | 61½ | 84 | 83 | 61 | 108½ | 43 | 141 | 28 | 178½ |
| ½Mar | 233 | 35½ | 185½ | 48 | 161½ | 63 | 130½ | 81½ | 103 | 103 | 80 | 129 | 60 | 158½ | 44½ | 192½ |
| Apr | 276½ | 71 | | | 211½ | 102½ | | | 155 | 143½ | | | 108½ | 194 | | |
| Jun† | 313 | 88 | | | 250½ | 120½ | | | 195½ | 161 | | | 146 | 209 | | |

Calls 2,399 Puts 1,018 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

| | 3850 | 3900 | 3950 | 4000 | 4050 | 4100 | 4150 | 4200 |
|---|---|---|---|---|---|---|---|---|
| Jan | 88.7 5.99 | 49.4 18.0 | 23.3 | 41.2 | | | | |

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

## TRADING VOLUME

■ Major Stocks Yesterday

| | Vol. 000s | Closing price | Day's change |
|---|---|---|---|
| 3i† | 577 | 333 | +2 |
| ASDA Group† | 4,400 | 65½ | +½ |
| Abbey National† | 1,700 | 434 | +7½ |
| Albert Fisher | 2,100 | 45 | -1 |
| Allied Domecq† | 1,000 | 562 | -1½ |
| Anglian Water | 420 | 510 | +8 |
| Argos | 74 | 349 | +4 |
| Argyll Group† | 4,200 | 262 | +4 |
| Arjo Wiggins† | 779 | 240 | +½ |
| Assoc. Brit. Foods† | 548 | 582 | +14 |
| Assoc. Brit. Ports | 192 | 277 | |
| BAA† | 720 | 472 | +1 |
| BAT Inds.† | 4,400 | 442 | -1 |
| BET | 1,200 | 103 | +½ |
| BICC | 853 | 357 | +8 |
| BOC† | 1,900 | 717 | +5 |
| BP† | 7,300 | 432 | +2½ |
| BPB Inds. | 2,000 | 282 | +5 |
| BT† | 7,500 | 363½ | +1½ |
| BTR† | 13,000 | 290 | +3½ |
| Bank of Scotland† | 684 | 210 | +2 |
| Barclays† | 8,000 | 617 | +8 |
| Bass† | 1,600 | 519 | |
| Blue Circle† | 2,300 | 294 | +7 |
| Booker | 1,100 | 403 | |
| Boots† | 1,800 | 496 | +6 |
| Bowater† | 1,500 | 427 | +8 |
| Brit. Aerospace† | 1,600 | 431 | +5 |
| British Airways† | 1,600 | 366 | |
| British Gas† | 4,800 | 313 | +5½ |
| British Land | 1,200 | 383 | +7 |
| British Steel† | 5,700 | 157 | |
| Bunzl | 510 | 172½ | +½ |
| Burmah Castrol† | 2,500 | 801 | +17 |
| Burton | 207 | 66 | -¼ |
| Cable & Wire† | 6,700 | 381 | +5 |
| Cadbury Schweppes† | 2,700 | 428 | +6 |
| Caradon† | 2,900 | 259 | +4 |
| Carlton Comms.† | 1,000 | 883 | +17 |
| Coats Viyella | 4,100 | 189 | |
| Comm. Union† | 1,700 | 513 | -4 |
| Cookson | 353 | 236 | +1 |
| Courtaulds† | 2,300 | 461 | +14 |
| Dalgety | 40 | 417 | -2 |
| De La Rue† | 437 | 926 | +3 |
| Dixons | 2,700 | 186 | +4 |
| Eastern Elect.† | 233 | 771 | +6 |
| East Midland Elect. | 572 | 821 | -5 |
| Electrocomps | 52 | 473 | +1 |
| Eng China Clays | 408 | 359 | +7 |
| Enterprise Oil† | 4,000 | 380 | +2 |
| Eurotunnel Units | 809 | 282 | +6 |
| FKI | 6,200 | 146 | +1 |
| Fisons | 2,200 | 112 | -1 |
| Foreign & Col. I.T. | 460 | 134 | +1 |

## FT - SE Actuaries Share Indices — The UK Series

| | Dec 22 | Day's chge% | Dec 21 | Dec 20 | Dec 19 | Year ago | Div. yield% | Earn. yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| FT-SE 100 | 3091.7 | +0.7 | 3070.4 | 3058.1 | 3034.4 | 3398.5 | 4.17 | 7.21 | 16.37 | 129.60 | 1180.39 |
| FT-SE Mid 250 | 3485.9 | +0.6 | 3466.6 | 3463.7 | 3460.0 | 3762.8 | 3.62 | 6.17 | 19.39 | 138.17 | 1312.60 |
| FT-SE Mid 250 ex Inv Trusts | 3487.3 | +0.6 | 3467.6 | 3464.5 | 3461.0 | 3750.6 | 3.77 | 6.68 | 18.04 | 144.61 | 1311.22 |
| FT-SE-A 350 | 1545.7 | +0.7 | 1535.6 | 1530.5 | 1521.0 | 1691.7 | 4.04 | 6.97 | 16.98 | 64.02 | 1207.49 |
| FT-SE SmallCap | 1744.27 | +0.2 | 1740.00 | 1738.21 | 1735.61 | 1837.34 | 3.49 | 5.03 | 25.23 | 56.21 | 1362.58 |
| FT-SE SmallCap ex Inv Trusts | 1713.12 | +0.2 | 1709.10 | 1707.17 | 1704.45 | 1788.51 | 3.71 | 5.59 | 23.06 | 58.39 | 1342.76 |
| FT-SE-A ALL-SHARE | 1529.09 | +0.6 | 1519.48 | 1514.74 | 1505.86 | 1669.93 | 4.00 | 6.83 | 17.38 | 62.38 | 1214.71 |

■ FT-SE Actuaries All-Share

| | Dec 22 | Day's chge% | Dec 21 | Dec 20 | Dec 19 | Year ago | Div. yield% | Earn yield% | P/E ratio | Xd adj. ytd | Total Return |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 10 MINERAL EXTRACTION(18) | 2699.91 | +0.6 | 2683.27 | 2677.45 | 2668.46 | 2541.00 | 3.52 | 5.07 | 24.96 | 89.83 | 1090.00 |
| 12 Extractive Industries(4) | 3768.68 | +0.5 | 3747.01 | 3764.98 | 3728.20 | 3634.28 | 3.41 | 5.45 | 22.70 | 96.62 | 1039.39 |
| 15 Oil, Integrated(3) | 2681.02 | +0.7 | 2663.33 | 2654.09 | 2646.27 | 2497.67 | 3.63 | 5.60 | 22.23 | 96.44 | 1107.15 |
| 16 Oil Exploration & Prod(11) | 1861.45 | +0.4 | 1854.69 | 1847.44 | 1842.90 | 1767.02 | 2.84 | ‡ | ‡ | 38.03 | 1077.00 |
| 20 GEN MANUFACTURERS(266) | 1831.87 | +0.8 | 1817.51 | 1820.85 | 1813.14 | 2015.93 | 4.28 | 5.74 | 20.82 | 77.61 | 942.08 |
| 21 Building & Construction(33) | 982.25 | +0.4 | 978.14 | 977.02 | 974.91 | 1272.75 | 3.96 | 5.94 | 22.28 | 38.05 | 775.57 |
| 22 Building Matls & Merchs(32) | 1786.31 | +0.9 | 1770.45 | 1766.04 | 1753.60 | 2217.95 | 4.19 | 5.76 | 20.93 | 75.39 | 850.10 |

## LONDON EQUITIES

### LIFFE EQUITY OPTIONS

| Option | | Calls Jan | Calls Apr | Calls Jul | Puts Jan | Puts Apr | Puts Jul |
|---|---|---|---|---|---|---|---|
| Allied Domecq | 550 | 13 | 31½ | 42 | 10½ | 19 | 27½ |
| (*551 ) | 600 | ½ | 11½ | 21 | 49 | 51½ | 57½ |
| Argyll | 260 | 6½ | 18 | 23½ | 7 | 10 | 15½ |
| (*262 ) | 280 | 2 | 9 | 14½ | 19½ | 21½ | 28½ |

| Option | | Calls Feb | Calls May | Calls Aug | Puts Feb | Puts May | Puts Aug |
|---|---|---|---|---|---|---|---|
| Hanson | 220 | 18 | 21 | 24 | 2 | 8 | 9 |
| (*234 ) | 240 | 8 | 10 | 13½ | 10 | 15 | 18½ |
| Lasmo | 140 | 8 | 14 | 17 | 4½ | 8 | 9 |
| (*143 ) | 160 | 2 | 5½ | 8½ | 17½ | 20 | 20½ |

### RISES AND FALLS YESTERDAY

| | Rises | Falls | Same |
|---|---|---|---|
| British Funds | 32 | 2 | 38 |
| Other Fixed Interest | 3 | 0 | 11 |
| Mineral Extraction | 97 | 17 | 82 |
| General Manufacturers | 189 | 67 | 372 |
| Consumer Goods | 52 | 30 | 103 |
| Services | 114 | 42 | 384 |
| Utilities | 29 | 1 | 13 |
| Financials | 143 | 39 | 184 |
| Investment Trusts | 127 | 32 | 305 |
| Others | 72 | 8 | 39 |
| Totals | 858 | 238 | 1479 |

Data based on those companies listed on the London Share Service.

### TRADITIONAL OPTIONS

| | | | |
|---|---|---|---|
| First Dealings | December 19 | Expiry | March 23 |
| Last Dealings | January 6 | Settlement | April 6 |

Calls: Aminex, Aran Energy, Arcon Int, Govett, Granada, Greenwich Res, Signet, Standard Chartered, Tullow Oil, Tuskar Res, VideoLogic, Waverley Mng. Puts: Arcon Int, Govett, Waverley Mng. Puts & Calls: Barclays, Cable & Wire, Glaxo, Hunting, Kunick, Royal Bk Scot, SmithKline Bchm A.

### LONDON RECENT ISSUES: EQUITIES

| Issue price p | Amt paid up | Mkt. cap (£m.) | 1994 High | 1994 Low | Stock | Close price p | +/- | Net div. | Div. cov. | Grs yld | P/E net |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 100 | F.P. | 4.84 | 96 | 90½ | Asset Man Inv | 96 | +1 | - | - | - | - |
| - | F.P. | 4,416.3 | 259 | 255 | BSkyB | 257½ | +1 | N- | - | - | 48.5 |

### FINANCIAL TIMES EQUITY INDICES

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| P/E ratio nil | 17.38 | 17.26 | 17.20 | 17.15 | 17.03 | 28.41 | 30.80 | 16.67 |

*For 1994. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

**Ordinary Share hourly changes**

| Open | 9.00 | 10.00 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | 16.00 | High | Low |
|---|---|---|---|---|---|---|---|---|---|---|
| 2362.2 | 2361.2 | 2367.3 | 2372.8 | 2378.0 | 2375.7 | 2375.7 | 2376.7 | 2375.2 | 2378.5 | 2358.2 |

| | Dec 22 | Dec 21 | Dec 20 | Dec 19 | Dec 16 | Yr ago |
|---|---|---|---|---|---|---|
| SEAQ bargains | 19,561 | 18,748 | 20,673 | 21,210 | 20,881 | 33,718 |
| Equity turnover (£m)† | - | 1624.8 | 1305.8 | 1275.8 | 1541.1 | 1630.6 |
| Equity bargains† | - | 31,037 | 25,871 | 29,335 | 26,823 | 39,263 |
| Shares traded (ml)† | - | 722.5 | 516.9 | 493.3 | 588.7 | 770.4 |

†Excluding intra-market business and overseas turnover.

## LONDON SHARE SERVICE

### BANKS

| | Notes | Price | + or - | 1994 High | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| ABN Amro Fl | □ | £22⅞ | +⅛ | £23⅝ | £19⅞ | 6,765 | 5.0 | ф |
| ANZ A$ | | 208 | — | 278¼ | 171 | 2,763 | 6.1 | ф |
| Abbey National | †N□ | 494 | +7½ | 523 | 380½ | 6,494 | 4.5 | 14.6 |
| Allied Irish I£ | ф†N□ | 278 | +12 | 314 | 233 | 1,789 | 4.7 | 10.4 |
| Anglo Irish I£ | N□ | 64xd | — | *70 | 50 | 185.8 | 8.2 | ф |
| Asahi Y | □ | 785¼ | +41¼ | 819¼ | 638 | 18,244 | 0.6 | ф |
| Banco Bil Viz Pta | □ | £20⅝ | +⅛ | 27 | £14⅞ | 3,831 | 9.1 | 7.3 |
| Banco Sant Pta | | £24⅝ | — | *£30½ | £23⅝ | 3,721 | 5.6 | 8.6 |
| Bk Ireland I£ | †N□ | 294xd | +5 | *319 | 246 | 1,304 | 4.9 | 8.5 |
| Bank Scotland | ф†N□ | 210 | +2 | 247 | 172½ | 2,454 | 3.2 | 11.6 |
| 9¼pc Pf | | 117¼ | — | 141½ | 108 | 117.8 | 9.8 | – |
| 9¾pc Pf | | 123¾ | — | 148½ | 111¼ | 123.8 | 9.8 | – |
| Barclays | ф†N□ | 617 | +3 | 640 | 487 | 10,066 | 3.4 | 19.0 |
| Dai Ichi Kan Y | □ | £12⅞ | +¼ | £12⅞ | £10⅞ | 36,437 | 0.4 | – |
| Deutsche DM | □ | £28⅝ | +⅛ | £34¼ | £27⅞ | 14,845 | 2.3 | – |
| Espirito Santo | □ | 59¾ | +⅛ | *£13⅞ | 57⅛ | 176.5 | 4.7 | 4.1 |
| First Nat Fin | N□ | 59½ | — | *69 | 58½ | 98.7 | 3.2 | – |
| 6.3pc Cv Pf | | 60xd | — | *80 | 60 | 4.67 | 11.6 | – |
| 7pc Cv Pf | | 111xd | — | 171 | 110 | 82.7 | 7.9 | – |
| Fuji Bank Y | □ | 1404 | +28 | 1549¼ | 1152½ | 40,879 | 0.4 | ф |
| HSBC HK | †N□ | 723½ | +12½ | 1133 | 684 | 12,891 | 4.2 | 10.5 |
| HSBC (75p Shs) | †N□ | 728 | +10 | 1113 | 690 | 6,202 | 4.2 | 10.5 |
| Irish Permanent | N□ | 228 | — | 228 | 205 | 173.8 | 5.3 | 7.9 |
| Lloyds | †N□ | 576 | +1½ | 600 | 519 | 7,470 | 9.0 | 11.3 |
| Mitsubishi Y | □ | £15⅞ | +⅛ | £16⅞ | £13⅞ | 44,761 | 0.4 | ф |
| Mits Tst & Bk Y | □ | 962 | +19 | 1162¼ | 687½ | 11,895 | 0.5 | 15.5 |
| Mitsui Tst & Bk Y | □ | 676¼ | +13¼ | 870 | 514 | 6,183 | 0.8 | 22.5 |
| Nat Aust A$ | | 524 | +7 | 638¼ | 472 | 7,614 | 7.1 | ф |
| NatWest | †N□ | 514 | –½ | 522 | 421 | 8,815 | 4.7 | 9.6 |
| Ottomans FFr | | £21½ | — | 28 | £21 | 307.5 | 6.8 | ф |
| Ryl Bk Scotland | ф†N□ | 390xd | –6 | 428 | 377½ | 3,156 | 4.3 | 9.7 |
| Sakura Y | □ | £9⅞ | +⅛ | £9⅞ | £8⅞ | 28,938 | 0.6 | 53.1 |
| Sanwa Y | □ | £12⅞ | +⅛ | £16⅞ | £11⅞ | 37,273 | 0.5 | – |

### CHEMICALS

### ELECTRONIC & ELECTRICAL EQPT - Cont.

### EXTRACTIVE INDUSTRIES - Cont.

### HEALTH CARE - Cont.

### INVESTMENT TRUSTS - Cont.

### HOUSEHOLD GOODS

### BREWERIES

### DISTRIBUTORS

### ENGINEERING

### INSURANCE

### BUILDING & CONSTRUCTION

### INVESTMENT TRUSTS

### DIVERSIFIED INDUSTRIALS

### FOOD MANUFACTURERS

### BUILDING MATS. & MERCHANTS

### ELECTRICITY

### GAS DISTRIBUTION

### ELECTRONIC & ELECTRICAL EQPT

### ENGINEERING, VEHICLES

### HEALTH CARE

### EXTRACTIVE INDUSTRIES

FINANCIAL TIMES FR

### INVESTMENT TRUSTS - Cont.

### OTHER INVESTMENT TRUSTS

### INVESTMENT COMPANIES

### LEISURE & HOTELS

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# LONDON SHARE SERVICE

## INVESTMENT TRUSTS - Cont.

## LEISURE & HOTELS - Cont.

## OIL EXPLORATION & PRODUCTION - Cont.

| | Notes | Price | + or - | 1994 High | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Southern Pacific | ♥ | 25 | — | 30 | 16 | 60.4 | – | – |
| Stirling Res | ♥ | 6½ | +1 | 11 | 5 | 4.73 | – | – |
| Sun Resources | | 14½ | –¼ | *37¼ | 11 | 2.33 | – | – |
| Sundae Energy | | 116 | — | 167 | 116 | 3.48 | – | – |
| Tullow | ♣□ | 42½ | — | 48½ | 19½ | 77.8 | – | – |
| Tusker R | ♣□ | 1¾ | — | 2¼ | 1¼ | 6.12 | – | – |
| Utd. Energy | ♣□ | 13 | — | 23 | 13 | 4.38 | – | – |
| Vanguard Petm | | 40¼ | +½ | 60¼ | 39½ | 22.9 | – | – |
| Victoria Petm | | 4 | — | 7¼ | 3½ | 6.35 | – | – |
| XCL $ | □ | 45 | — | 110 | 26 | 92.6 | – | – |
| Ser A Cv Pf $ | | £27½ | — | £30½ | £27½ | 10.5 | 21.3 | – |

## OIL, INTEGRATED

| | Notes | Price | + or - | 1994 High | 1994 low | Mkt Cap£m | Yld Gr's | P/E |
|---|---|---|---|---|---|---|---|---|
| Brit Petroleum | ♣†N□ | 432xd | +2½ | 437½ | 340 | 23,768 | 2.8 | 23.7 |
| Burmah Castrol | ♣†N□ | 901xd | +17 | 918 | 783 | 1,602 | 4.3 | 15.9 |
| Chevron $ | | [illegible] | [illegible] | [illegible] | [illegible] | 10,670 | 4.2 | – |
| Exxon $ | | [illegible] | [illegible] | [illegible] | [illegible] | 40,349 | 4.9 | – |
| Mobil $ | | [illegible] | +½ | [illegible] | [illegible] | 21,750 | 4.0 | – |
| Norsk Hydro NKr | □ | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | 1.3 | ♦ |
| Occidental Petm $ | | [illegible] | [illegible] | [illegible] | £10⅝ | [illegible] | 5.3 | – |
| Petrofina BFr | □ | [illegible] | [illegible] | [illegible] | £181 | 4,344 | 3.0 | 30.6 |
| Royal Dutch Fl | □ | [illegible] | [illegible] | [illegible] | [illegible] | 37,073 | 4.6 | 18.8 |
| Santos A$ | ♥ | 174 | –1 | 210½ | 165 | 919.8 | 5.5 | – |
| Shell Trans | ♣†N□ | 702 | +5 | 758 | 651 | 23,271 | 4.5 | 21.3 |
| 7pc Pf | | 77½ | +½ | 85 | 74 | 7.29 | 8.0 | – |

## OTHER FINANCIAL

## OTHER SERVICES & BUSINESSES

## PHARMACEUTICALS

## PRINTING, PAPER & PACKAGING

## PROPERTY

## PROPERTY - Cont.

## RETAILERS, FOOD

## RETAILERS, GENERAL

## RETAILERS, GENERAL - Cont.

## SPIRITS, WINES & CIDERS

## SUPPORT SERVICES

## TELECOMMUNICATIONS

## TEXTILES & APPAREL

## TOBACCO

## TRANSPORT

## TRANSPORT - Cont.

## WATER

## AMERICANS

## CANADIANS

## SOUTH AFRICANS

## OTHER INVESTMENT TRUSTS

## INVESTMENT COMPANIES

## LIFE ASSURANCE

## MEDIA

## MERCHANT BANKS

## OIL EXPLORATION & PRODUCTION

## LEISURE & HOTELS

## GUIDE TO LONDON SHARE SERVICE

h Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994.
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.



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## OFFSHORE AND OVERSEAS

### BERMUDA (SIB RECOGNISED)

Fidelity Money Funds
Pembroke Hall, Pembroke, Bermuda

Lazard Fund Mngrs (Channel Islands) Ltd
PO Box 275, St Peter Port, Guernsey, C.I. 0481 710461

Lazard Select Investment Trust Ltd

Lloyds Intl Money Market Fund Ltd
Sarnia Hse, Le Truchot, St Peter Port 0481 724983

M & G (Guernsey) Ltd
Westbourne, The Grange, St Peter Port 0481 723663

Prudential Fund Managers (Guernsey) Ltd
Po Box 61, St Peter Port Guernsey 0481 726268

Rothschild Asset Management (CI) Ltd
PO Box 242, St Peter Port, Guernsey 0481 713713

Lazard Freres Asset Management (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

Merrill Lynch Guernsey

Quilter International Management Ltd

Rothschild Asset Mngmt (CI) Ltd

### GUERNSEY (SIB RECOGNISED)

### IRELAND (SIB RECOGNISED)

### GUERNSEY (REGULATED)(**)

### IRELAND (REGULATED)(**)

### ISLE OF MAN (SIB RECOGNISED)

### ISLE OF MAN (REGULATED)(**)

### JERSEY (SIB RECOGNISED)

### JERSEY (REGULATED)(**)

### LUXEMBOURG (SIB RECOGNISED)

### LUXEMBOURG (REGULATED)(**)



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Crédit Investment Funds

Murray Universal, Sicav

SICAV Asia Pacific Umbrella Fund

*Price as at December 21

Nikko Asia Convertible Bond Fund

Nikko Bank (Luxembourg) S.A.

*Price as at December 20

Nomura Asian Infrastructure Fd SICAV

Nomura Rosenberg Alpha Fund Mark II

Pacific Basin Growth Fund

Rosenberg Global Mngt Co SA (u)

Rosenberg Management SA (u)

Rosenberg US Japan Mngmt Co SA (u)

Edmond de Rothschild Group

## OTHER OFFSHORE FUNDS

## OFFSHORE INSURANCES

# CURRENCIES AND MONEY

**MARKETS REPORT**

# Mexican peso hits fresh low in volatile trade

The Mexican peso was again the focus of attention yesterday as the government's decision to allow it to float freely drove the currency to a new low, *writes Philip Gawith.*

This follows the government's decision on Tuesday to try and manage the peso's decline by announcing a 15 per cent devaluation.

Yesterday's decision was a recognition that the speculative forces lined up against the currency were too powerful to be resisted.

Trading conditions were thin and volatile, with investors nervous about the outlook. Spreads were very large, with the peso quoted at 4.6/4.8 to the dollar in the New York morning. It closed at 3.987 pesos in London on Wednesday.

Elsewhere, the Italian lira continued its slow recovery on news that the prime minister Mr Silvio Berlusconi had resigned. It finished in London at L1,039 against the D-Mark from L1,045.

In thin trade, the Canadian dollar broke through the $0.7147 level, its weakest level in over eight years. Traders said investors were worried about Canadian fiscal and political issues.

The dollar was slightly firmer, helped by a flight to safety from Mexico. It closed at DM1.5805, from DM1.5703 and at Y100.495 from Y100.17.

Sterling had a steady day following its sharp overnight fall, of around two cents against the dollar. Traders said this was a function of dollar strength, not sterling weakness. The pound closed at DM2.4417, from DM2.4491, and at $1.545 from $1.5597.

In Germany, the Bundesbank council left interest rates unchanged. It did the same for the 1995 M3 money supply growth target, which was left at 4-6 per cent, as in 1994.

■ Pound in New York

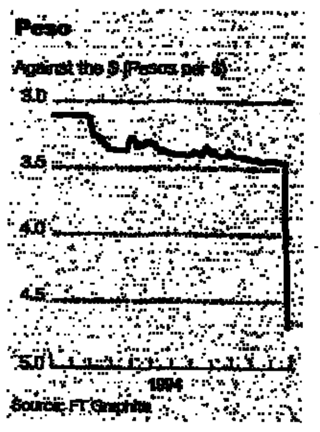
| Dec 22 | —Latest— | – Prev. close – |
|---|---|---|
| £ spot | 1.5445 | 1.5445 |
| 1 mth | 1.5444 | 1.5443 |
| 3 mth | 1.5443 | 1.5432 |
| 1 yr | 1.5440 | 1.5426 |

■ The Mexican treasury secretary, Mr Jaime Serra Puche said the free float of the peso would be allowed for a 60-day period. He said the government had decided, with business and trade union leaders, against allowing any price or wage increases during the period.

Explaining the decision, he said: "The financial authorities have decided that supply and demand will freely determine the rate of exchange until the currency markets show conditions of stability."

Mr Serra Puche revealed that reserves of the central bank, or Banco de Mexico, had fallen to $6.5bn in recent days, following attempts to prop up the peso during recent bear markets.

Mr Serra met with officials of the New York Fed and other banking and investment officials. Earlier the US and Canadian central banks had pledged




US$1bn and C$1bn to support the peso, if necessary.

A trader at a large New York bank said there continued to be a "major exodus" from Mexico, though selling pressure was not as heavy as in the previous two days.

She said trading conditions were very thin. On deals of only $5m, the spread was 20 centavos. Normally, though, "Mexico was a market that could absorb $100m without a problem."

The trader predicted that the peso would probably settle at around 4.5 pesos to the dollar, although it could be a while before this happened.

■ Analysts were puzzled at the sharp overnight weakness in sterling, which coincided with the announcement of the UK's first current account surplus since 1987.

Mr Jonathan Griggs, economic adviser at Barclays, said markets were exceedingly thin, and technically driven. He said sterling had fallen through key chart points, prompted by dollar strength following the unrest in Mexico.

Mr Tony Norfield, UK treasury economist at Abn-Amro in London, said there was little logic to sterling's decline, and he was reluctant to draw any conclusion about trends in such thin trading conditions.

He surmised that one of the reasons sterling had been hard hit was that it was one of the more liquid currencies. Matters were not helped by an opinion poll showing the government to be the most unpopular in polling history.

■ Traders said there had been negligible market response to the Bundesbank council meeting. Mr Tietmeyer repeated the Bundesbank line that it had the option both to raise and lower rates. His other main point was that monetary policy needed support from wages and fiscal policy.

■ The Bank of England cleared a £1.2bn money market shortage in its morning operations.

■ OTHER CURRENCIES

| Dec 22 | £ | $ |
|---|---|---|
| Hungary | 176.400 - 176.987 | 114.240 - 144.540 |
| Iran | 2723.00 - 2732.06 | 1748.00 - 1750.09 |
| Kuwait | 0.4636 - 0.4645 | 0.3001 - 0.3008 |
| Poland | 37587.8 - 37641.0 | 24340.0 - 24360.0 |
| Russia | 5342.61 - 5347.25 | 3442.00 - 3445.08 |
| U.A.E. | 5.6729 - 5.6755 | 3.6725 - 3.6730 |

## POUND SPOT FORWARD AGAINST THE POUND

| Dec 22 | | Closing mid-point | Change on day | Bid/offer spread | Day's Mid high | Day's Mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | Bank of Eng. Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 17.1822 | -0.0637 | 755 - 888 | 17.2156 | 17.0302 | 17.1684 | 1.0 | 17.1278 | 1.3 | - | - | 115.3 |
| Belgium | (BFr) | 50.1715 | -0.1615 | 487 - 943 | 50.2740 | 50.0330 | 50.1865 | -0.4 | 50.0665 | 0.8 | 48.4665 | 1.4 | 117.0 |
| Denmark | (DKr) | 9.5748 | -0.0405 | 710 - 785 | 9.5976 | 9.5537 | 9.5714 | 0.4 | 9.579 | -0.2 | 9.5455 | 0.3 | 116.4 |
| Finland | (FM) | 7.4377 | -0.0923 | 288 - 466 | 7.5410 | 7.4220 | - | - | - | - | - | - | 88.9 |
| France | (FFr) | 8.4388 | -0.0217 | 341 - 430 | 8.4517 | 8.4068 | 8.4373 | 0.2 | 8.4334 | 0.2 | 8.3805 | 0.7 | 109.3 |
| Germany | (DM) | 2.4417 | -0.0074 | 409 - 425 | 2.4484 | 2.4344 | 2.4411 | 0.3 | 2.4369 | 0.8 | 2.4023 | 1.6 | 126.2 |
| Greece | (Dr) | 377.741 | -0.709 | 525 - 956 | 379.138 | 376.481 | - | - | - | - | - | - | - |
| Ireland | (I£) | 1.0145 | +0.0003 | 138 - 151 | 1.0160 | 1.0086 | 1.0147 | -0.2 | 1.0137 | 0.3 | 1.0125 | 0.2 | 105.0 |
| Italy | (L) | 2536.36 | -20.25 | 640 - 031 | 2549.88 | 2536.40 | 2545.06 | -3.2 | 2556.56 | -2.9 | 2609.11 | -2.8 | 73.1 |
| Luxembourg | (LFr) | 50.1715 | -0.1615 | 487 - 943 | 50.2740 | 50.0330 | 50.1865 | -0.4 | 50.0665 | 0.8 | 48.4665 | 1.4 | 117.0 |
| Netherlands | (Fl) | 2.7329 | -0.0073 | 316 - 341 | 2.7385 | 2.7254 | 2.7319 | 0.4 | 2.7277 | 0.8 | 2.6909 | 1.5 | 120.9 |
| Norway | (NKr) | 10.6499 | -0.0424 | 461 - 534 | 10.6775 | 10.6922 | 10.6501 | 0.0 | 10.6487 | 0.0 | 10.6396 | 0.1 | 85.8 |
| Portugal | (Es) | 251.008 | -0.72 | 890 - 126 | 251.496 | 250.372 | 251.828 | -3.9 | 253.303 | -3.7 | - | - | - |
| Spain | (Pta) | 206.267 | -0.948 | 171 - 362 | 207.043 | 205.948 | 206.657 | -2.3 | 207.312 | -2.0 | 210.047 | -1.8 | 84.5 |
| Sweden | (SKr) | 11.5825 | -0.094 | 729 - 921 | 11.6578 | 11.5729 | 11.5995 | -1.8 | 11.632 | -1.7 | 11.751 | -1.5 | 76.3 |
| Switzerland | (SFr) | 2.0594 | -0.0067 | 583 - 605 | 2.0646 | 2.0556 | 2.0561 | 1.9 | 2.0495 | 1.9 | 2.0044 | 2.7 | 120.9 |
| UK | (£) | - | - | - | - | - | - | - | - | - | - | - | 79.8 |
| Ecu | - | 1.2827 | -0.0035 | 819 - 834 | 1.2851 | 1.2775 | 1.2831 | -0.3 | 1.283 | -0.1 | 1.2751 | 0.6 | - |
| SDR† | - | 0.931213 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 1.5446 | -0.0147 | 442 - 449 | 1.5512 | 1.5401 | - | - | - | - | - | - | - |
| Brazil | (R) | 1.3272 | -0.0024 | 254 - 289 | 1.3308 | 1.3211 | - | - | - | - | - | - | - |
| Canada | (C$) | 2.1581 | -0.0152 | 573 - 588 | 2.1629 | 2.1471 | 2.1598 | -0.3 | 2.1596 | -0.3 | 2.1693 | -0.5 | 85.1 |
| Mexico | (New Peso) | 7.2613 | +1.043 | 056 - 170 | 7.7300 | 6.1546 | - | - | - | - | - | - | - |
| USA | ($) | 1.5450 | -0.0147 | 447 - 452 | 1.5510 | 1.5396 | 1.5451 | -0.1 | 1.5449 | 0.0 | 1.5432 | 0.1 | 63.7 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.9916 | -0.0202 | 906 - 925 | 1.9990 | 1.9861 | 1.9935 | -1.1 | 1.998 | -1.3 | 2.0273 | -1.8 | - |
| Hong Kong | (HK$) | 11.9533 | -0.1137 | 506 - 560 | 11.9988 | 11.9137 | 11.8993 | 5.4 | 11.8988 | 1.8 | 11.9138 | 0.3 | - |
| India | (Rs) | 48.5173 | -0.4558 | 038 - 309 | 48.7160 | 48.3540 | - | - | - | - | - | - | - |
| Japan | (Y) | 155.260 | -0.97 | 196 - 324 | 155.660 | 154.770 | 154.775 | 3.7 | 153.715 | 4.0 | 147.84 | 4.8 | 188.7 |
| Malaysia | (M$) | 3.9605 | -0.033 | 591 - 619 | 3.9773 | 3.9473 | - | - | - | - | - | - | - |
| New Zealand | (NZ$) | 2.4108 | -0.0317 | 095 - 121 | 2.4200 | 2.4077 | 2.4171 | -3.2 | 2.4293 | -3.1 | 2.4673 | -2.3 | - |
| Philippines | (Peso) | 37.3106 | -0.3551 | 183 - 029 | 38.0616 | 36.9183 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 5.7954 | -0.065 | 940 - 967 | 5.8176 | 5.7763 | - | - | - | - | - | - | - |
| Singapore | (S$) | 2.2622 | -0.0207 | 610 - 633 | 2.2840 | 2.2570 | - | - | - | - | - | - | - |
| S Africa (Com.) | (R) | 5.5028 | -0.0422 | 007 - 048 | 5.5216 | 5.4763 | - | - | - | - | - | - | - |
| S Africa (Fin.) | (R) | 6.3266 | +0.0178 | 101 - 430 | 6.3430 | 6.2435 | - | - | - | - | - | - | - |
| South Korea | (Won) | 1222.45 | -11.47 | 217 - 272 | 1227.15 | 1218.29 | - | - | - | - | - | - | - |
| Taiwan | (T$) | 40.7817 | -0.3709 | 724 - 910 | 40.9386 | 40.6346 | - | - | - | - | - | - | - |
| Thailand | (Bt) | 38.7937 | -0.3769 | 720 - 154 | 38.9490 | 38.6800 | - | - | - | - | - | - | - |

†SDR rates for Dec 21. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

## DOLLAR SPOT FORWARD AGAINST THE DOLLAR

| Dec 22 | | Closing mid-point | Change on day | Bid/offer spread | Day's mid high | Day's mid low | One month Rate | One month %PA | Three months Rate | Three months %PA | One year Rate | One year %PA | J.P Morgan Index |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Europe** | | | | | | | | | | | | | |
| Austria | (Sch) | 11.1215 | +0.064 | 190 - 240 | 11.1440 | 11.0915 | 11.114 | 0.8 | 11.0975 | 0.9 | 11 | 1.1 | 104.6 |
| Belgium | (BFr) | 32.4745 | +0.2025 | 650 - 840 | 32.5440 | 32.3950 | 32.4595 | 0.6 | 32.4095 | 0.8 | 32.0745 | 1.2 | 106.2 |
| Denmark | (DKr) | 6.1975 | +0.0325 | 960 - 989 | 6.2105 | 6.1670 | 6.1988 | -0.2 | 6.1985 | -0.1 | 6.185 | 0.2 | 105.0 |
| Finland | (FM) | 4.8142 | -0.0138 | 092 - 192 | 4.8937 | 4.7922 | 4.812 | 0.6 | 4.8087 | 0.5 | 4.7917 | 0.5 | 82.5 |
| France | (FFr) | 5.4620 | +0.0375 | 600 - 640 | 5.4700 | 5.4430 | 5.4602 | 0.4 | 5.4572 | 0.4 | 5.424 | 0.7 | 105.9 |
| Germany | (D) | 1.5805 | +0.0102 | 802 - 807 | 1.5835 | 1.5762 | 1.5799 | 0.5 | 1.5776 | 0.7 | 1.5572 | 1.5 | 107.8 |
| Greece | (Dr) | 244.500 | +1.85 | 400 - 600 | 244.920 | 243.800 | 247 | -12.3 | 251.95 | -12.2 | 269.25 | -10.1 | 68.4 |
| Ireland | (I£) | 1.5230 | -0.016 | 222 - 237 | 1.5314 | 1.5203 | 1.5235 | -0.4 | 1.5236 | -0.1 | 1.5238 | -0.1 | - |
| Italy | (L) | 1643.00 | +2.5 | 200 - 400 | 1649.90 | 1641.00 | 1646.75 | -2.7 | 1654 | -2.7 | 1686 | -2.6 | 73.3 |
| Luxembourg | (LFr) | 32.4745 | +0.2025 | 650 - 840 | 32.5440 | 32.3950 | 32.4595 | 0.6 | 32.4095 | 0.8 | 32.0745 | 1.2 | 106.2 |
| Netherlands | (Fl) | 1.7699 | +0.012 | 684 - 694 | 1.7723 | 1.7642 | 1.7681 | 0.6 | 1.7656 | 0.7 | 1.7437 | 1.4 | 105.9 |
| Norway | (NKr) | 6.8933 | +0.0378 | 920 - 945 | 6.9065 | 6.8611 | 6.8936 | 0.0 | 6.8958 | -0.1 | 6.8333 | 0.9 | 96.1 |
| Portugal | (Es) | 162.470 | +1.07 | 420 - 520 | 162.800 | 162.080 | 163.095 | -4.6 | 164.22 | -4.3 | 168.22 | -3.5 | 94.9 |
| Spain | (Pta) | 133.510 | +0.85 | 470 - 550 | 133.920 | 133.480 | 133.745 | -2.1 | 134.185 | -2.0 | 136.01 | -1.9 | 79.8 |
| Sweden | (SKr) | 7.4970 | +0.0104 | 920 - 020 | 7.5661 | 7.4863 | 7.5082 | -1.8 | 7.5285 | -1.7 | 7.612 | -1.5 | 81.4 |
| Switzerland | (SFr) | 1.3330 | +0.007 | 325 - 335 | 1.3357 | 1.3304 | 1.3308 | 2.0 | 1.3265 | 2.0 | 1.2988 | 2.6 | 106.5 |
| UK | (£) | 1.5450 | -0.0147 | 447 - 452 | 1.5510 | 1.5396 | 1.5451 | -0.1 | 1.5449 | 0.0 | 1.5432 | 0.1 | 88.6 |
| Ecu | - | 1.2045 | -0.0082 | 040 - 050 | 1.2098 | 1.2025 | 1.2043 | 0.2 | 1.2045 | 0.0 | 1.211 | -0.5 | - |
| SDR† | - | 1.46204 | - | - | - | - | - | - | - | - | - | - | - |
| **Americas** | | | | | | | | | | | | | |
| Argentina | (Peso) | 0.9998 | - | 997 - 998 | 1.0001 | 0.9997 | - | - | - | - | - | - | - |
| Brazil | (R) | 0.8590 | +0.0065 | 580 - 600 | 0.8600 | 0.8570 | - | - | - | - | - | - | - |
| Canada | (C$) | 1.3969 | +0.0034 | 966 - 971 | 1.3975 | 1.3944 | 1.3971 | -0.1 | 1.3989 | -0.6 | 1.4079 | -0.8 | 81.8 |
| Mexico | (New Peso) | 4.7000 | +0.713 | 000 - 000 | 4.8000 | 3.9970 | 4.701 | -0.3 | 4.7028 | -0.2 | 4.7102 | -0.2 | - |
| USA | ($) | - | - | - | - | - | - | - | - | - | - | - | 97.6 |
| **Pacific/Middle East/Africa** | | | | | | | | | | | | | |
| Australia | (A$) | 1.2891 | -0.0008 | 887 - 895 | 1.2898 | 1.2878 | 1.2898 | -0.7 | 1.2916 | -0.8 | 1.3044 | -1.2 | 91.8 |
| Hong Kong | (HK$) | 7.7370 | - | 365 - 375 | 7.7375 | 7.7365 | 7.735 | 0.3 | 7.7338 | 0.2 | 7.7415 | -0.1 | - |
| India | (Rs) | 31.4038 | +0.0038 | 000 - 075 | 31.4250 | 31.3850 | 31.4738 | -2.7 | 31.6188 | -2.7 | - | - | - |
| Japan | (Y) | 100.495 | +0.325 | 470 - 520 | 100.800 | 100.200 | 100.175 | 3.8 | 99.505 | 3.9 | 95.91 | 4.6 | 149.1 |
| Malaysia | (M$) | 2.5635 | +0.003 | 630 - 640 | 2.5670 | 2.5605 | 2.5605 | 1.4 | 2.556 | 1.2 | 2.584 | -0.8 | - |
| New Zealand | (NZ$) | 1.5604 | -0.0057 | 598 - 610 | 1.5667 | 1.5596 | 1.5613 | -0.7 | 1.5638 | -0.9 | 1.5728 | -0.8 | - |
| Philippines | (Peso) | 24.1500 | - | 000 - 000 | 24.4000 | 23.9000 | - | - | - | - | - | - | - |
| Saudi Arabia | (SR) | 3.7512 | +0.0001 | 509 - 514 | 3.7514 | 3.7509 | 3.7548 | -1.1 | 3.7617 | -1.1 | 3.7762 | -0.7 | - |
| Singapore | (S$) | 1.4642 | +0.0005 | 637 - 647 | 1.4685 | 1.4623 | 1.4627 | 1.3 | 1.4592 | 1.4 | 1.4427 | 1.5 | - |
| S Africa (Com.) | (R) | 3.5618 | +0.0085 | 610 - 625 | 3.5640 | 3.5520 | 3.5778 | -5.2 | 3.6094 | -5.3 | 3.7743 | -6.0 | - |
| S Africa (Fin.) | (R) | 4.0950 | +0.05 | 850 - 050 | 4.1050 | 4.0450 | 4.123 | -8.2 | 4.1675 | -7.1 | 4.405 | -7.6 | - |
| South Korea | (Won) | 791.250 | +0.1 | 200 - 300 | 791.400 | 791.100 | 794.25 | -4.5 | 797.75 | -3.3 | 816.25 | -3.2 | - |
| Taiwan | (T$) | 26.3968 | +0.011 | 950 - 985 | 26.4015 | 26.3950 | 26.4168 | -0.9 | 26.4568 | -0.9 | - | - | - |
| Thailand | (Bt) | 25.1100 | -0.005 | 000 - 200 | 25.1270 | 25.1180 | 25.1395 | -1.4 | 25.2305 | -1.9 | 25.835 | -2.1 | - |

†SDR rate for Dec 21. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Dec 21. Base average 1990=100

## WORLD INTEREST RATES

### MONEY RATES

| December 22 | Over night | One month | Three mths | Six mths | One year | Lomb. inter. | Dis. rate | Repo rate |
|---|---|---|---|---|---|---|---|---|
| Belgium | 5¼ | 5¼ | 5¼ | 5¾ | 6¼ | 7.40 | 4.50 | - |
| week ago | 4⅞ | 5¼ | 5¾ | 5⅞ | 6⅛ | 7.40 | 4.50 | - |
| France | 5¼ | 5⅝ | 6¼ | 6¼ | 7⅛ | 5.00 | - | 5.75 |
| week ago | 5⅛ | 5⅝ | 6¼ | 6½ | 6⅞ | 5.00 | - | 5.75 |
| Germany | 4.05 | 5.38 | 5.38 | 5.43 | 5.83 | 6.00 | 4.50 | 4.85 |
| week ago | 4.98 | 5.38 | 5.48 | 5.63 | 5.93 | 6.00 | 4.50 | 4.85 |
| Ireland | 5⅛ | 5⅞ | 6¼ | 6⅞ | 7¼ | - | - | 6.25 |
| week ago | 5⅛ | 5⅞ | 5⅞ | 6⅛ | 7¼ | - | - | 6.25 |
| Italy | 8¼ | 8⅞ | 8⅞ | 9⅜ | 10¼ | - | 7.50 | 8.20 |
| week ago | 8⅛ | 8⅞ | 9¼ | 9⅞ | 10⅜ | - | 7.50 | 8.20 |
| Netherlands | 4.84 | 5.34 | 5.40 | 5.58 | 5.83 | - | 5.25 | - |
| week ago | 4.84 | 5.34 | 5.57 | 5.89 | 6.03 | - | 5.25 | - |
| Switzerland | 3⅜ | 4 | 4⅛ | 4⅛ | 4⅞ | 6.625 | 3.50 | - |
| week ago | 3⅞ | 4 | 4⅜ | 4½ | 4⅞ | 6.625 | 3.50 | - |
| US | 5½ | 5⅞ | 6¼ | 6⅞ | 7½ | - | 4.75 | - |
| week ago | 5⅛ | 5⅞ | 6⅛ | 6⅞ | 7⅞ | - | 4.75 | - |
| Japan | 2¼ | 2¼ | 2¼ | 2¼ | 2⅞ | - | 1.75 | - |
| week ago | 2¼ | 2¼ | 2¼ | 2¼ | 2⅞ | - | 1.75 | - |
| **■ $ LIBOR FT London** | | | | | | | | |
| Interbank Fixing | - | 5⅞ | 6¼ | 6⅞ | 7⅜ | - | - | - |
| week ago | - | 5⅞ | 6⅜ | 6⅞ | 7⅜ | - | - | - |
| US Dollar CDs | - | 5.61 | 6.00 | 6.54 | 7.34 | - | - | - |
| week ago | - | 5.51 | 6.16 | 6.71 | 7.48 | - | - | - |
| SDR Linked Ds | - | 4¾ | 4⅞ | 5¼ | 5⅝ | - | - | - |
| week ago | - | 4¾ | 4⅞ | 5¼ | 5⅝ | - | - | - |

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5⅞; 6 mths: 6 ; 1 year: 6⅜. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

### EURO CURRENCY INTEREST RATES

| Dec 22 | Short term | 7 days notice | One month | Three months | Six months | One year |
|---|---|---|---|---|---|---|
| Belgian Franc | 5⅝ - 4⅞ | 5⅝ - 5¼ | 5⅝ - 5⅞ | 5½ - 5⅜ | 5¾ - 5⅝ | 6⅝ - 6⅜ |
| Danish Krone | 5¼ - 5 | 5⅝ - 5⅜ | 5¾ - 5½ | 6⅛ - 5⅞ | 8½ - 8¼ | 7½ - 6⅞ |
| D-Mark | 4 - 3¾ | 5⅜ - 5¼ | 5⅝ - 5⅞ | 5⅝ - 5⅜ | 5½ - 5⅜ | 5⅞ - 5¾ |
| Dutch Guilder | 5¼ - 5⅛ | 5¼ - 5⅛ | 5⅝ - 5½ | 5⅝ - 5½ | 5¾ - 5⅝ | 6⅛ - 6 |
| French Franc | 5⅜ - 5¼ | 5⅞ - 5⅜ | 5⅝ - 5½ | 6⅛ - 6⅛ | 6⅞ - 6⅜ | 6⅞ - 6⅝ |
| Portuguese Esc. | 8⅞ - 8⅝ | 9½ - 9¼ | 10⅛ - 9⅞ | 10⅝ - 10⅜ | 11¼ - 10¾ | 11¼ - 10¾ |
| Spanish Peseta | 7⅜ - 7⅛ | 7⅝ - 7⅜ | 8⅛ - 8⅛ | 8½ - 8⅜ | 9⅛ - 9 | 9⅞ - 9¾ |
| Sterling | 4½ - 4¼ | 4¾ - 4½ | 5⅝ - 5⅝ | 6⅝ - 6⅜ | 6⅝ - 6⅞ | 7⅝ - 7⅞ |
| Swiss Franc | 3⅝ - 3⅜ | 4¼ - 4⅛ | 3⅝ - 3⅝ | 4⅛ - 4⅛ | 4½ - 4⅜ | 4⅞ - 4⅝ |
| Can. Dollar | 5⅝ - 5⅞ | 5⅞ - 5⅝ | 5¾ - 5⅝ | 6⅜ - 6⅞ | 7⅞ - 7⅜ | 8⅝ - 8⅜ |
| US Dollar | 5⅝ - 5⅞ | 5⅝ - 5½ | 5⅝ - 5⅝ | 6⅜ - 6⅜ | 6⅝ - 6⅝ | 7⅜ - 7⅞ |
| Italian Lira | 9 - 7½ | 8⅜ - 8¼ | 8¾ - 8⅝ | 9⅛ - 9 | 9¾ - 9⅝ | 10⅞ - 10⅞ |
| Yen | 2¼ - 2⅛ | 2⅜ - 2⅛ | 2⅜ - 2⅛ | 2⅜ - 2⅜ | 2⅝ - 2⅝ | 2⅞ - 2⅝ |
| Asian $Sing | 3⅞ - 3⅝ | 4⅜ - 4¼ | 4⅞ - 4⅜ | 4⅞ - 4⅞ | 4⅞ - 4⅝ | 4⅞ - 4⅝ |

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 93.15 | 93.36 | +0.11 | 93.37 | 93.08 | 33,620 | 54,792 |
| Jun | 92.76 | 92.99 | +0.12 | 93.00 | 92.70 | 16,516 | 43,107 |
| Sep | 92.56 | 92.79 | +0.12 | 92.80 | 92.53 | 7,057 | 28,218 |
| Dec | 92.35 | 92.55 | +0.08 | 92.55 | 92.35 | 3,482 | 20,577 |

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | - | 92.86 | -0.08 | - | - | 0 | 1458 |
| Jun | - | 92.09 | -0.13 | - | - | 0 | 443 |
| Sep | - | 91.73 | -0.07 | - | - | 0 | 177 |

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 94.41 | 94.47 | +0.04 | 94.47 | 94.40 | 21043 | 214090 |
| Jun | 94.05 | 94.09 | +0.02 | 94.09 | 94.04 | 8288 | 137170 |
| Sep | 93.69 | 93.72 | +0.01 | 93.72 | 93.69 | 6673 | 82927 |
| Dec | 93.32 | 93.35 | +0.01 | 93.35 | 93.31 | 2459 | 62278 |

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 89.90 | 89.95 | +0.07 | 89.98 | 89.84 | 4821 | 34442 |
| Jun | 89.44 | 89.45 | +0.05 | 89.49 | 89.36 | 2473 | 19602 |
| Sep | 89.23 | 89.25 | +0.07 | 89.27 | 89.15 | 824 | 21298 |
| Dec | 89.06 | 89.06 | +0.05 | 89.11 | 88.98 | 441 | 15566 |

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 95.40 | 95.49 | +0.08 | 95.50 | 95.40 | 3196 | 19982 |
| Jun | 95.10 | 95.19 | +0.07 | 95.21 | 95.10 | 517 | 7657 |
| Sep | 94.94 | 94.95 | +0.03 | 94.99 | 94.94 | 825 | 4207 |
| Dec | 94.74 | 94.75 | +0.03 | 94.82 | 94.74 | 520 | 1301 |

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

| | Open | Sett price | Change | High | Low | Est. vol | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 93.23 | 93.34 | +0.04 | 93.35 | 93.22 | 1110 | 8770 |
| Jun | 92.85 | 92.94 | +0.04 | 92.95 | 92.85 | 158 | 4738 |
| Sep | 92.50 | 92.65 | +0.03 | 92.59 | 92.50 | 24 | 2770 |
| Dec | 92.21 | 92.17 | +0.02 | 92.21 | 92.21 | 1 | 1349 |

* LIFFE futures traded on APT

## CROSS RATES AND DERIVATIVES

### EXCHANGE CROSS RATES

| Dec 22 | | BFr | DKr | FFr | DM | I£ | L | Fl | NKr | Es | Pta | SKr | SFr | £ | C$ | $ | Y | Ecu |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Belgium | (BFr) | 100 | 19.09 | 16.82 | 4.867 | 2.023 | 5059 | 5.447 | 21.23 | 500.3 | 411.2 | 23.08 | 4.104 | 1.993 | 4.301 | 3.080 | 309.5 | 2.557 |
| Denmark | (DKr) | 52.40 | 10 | 8.813 | 2.550 | 1.060 | 2651 | 2.854 | 11.12 | 262.1 | 215.5 | 12.09 | 2.150 | 1.044 | 2.254 | 1.614 | 162.2 | 1.340 |
| France | (FFr) | 59.46 | 11.35 | 10 | 2.894 | 1.203 | 3008 | 3.239 | 12.62 | 297.5 | 244.5 | 13.72 | 2.440 | 1.185 | 2.557 | 1.831 | 184.0 | 1.521 |
| Germany | (DM) | 20.54 | 3.921 | 3.455 | 1 | 0.416 | 1039 | 1.119 | 4.361 | 102.8 | 84.48 | 4.742 | 0.843 | 0.410 | 0.884 | 0.633 | 63.60 | 0.525 |
| Ireland | (I£) | 49.43 | 9.433 | 8.313 | 2.406 | 1 | 2500 | 2.693 | 10.49 | 247.3 | 203.3 | 11.41 | 2.029 | 0.985 | 2.126 | 1.522 | 153.0 | 1.264 |
| Italy | (L) | 1.977 | 0.377 | 0.332 | 0.096 | 0.040 | 100. | 0.108 | 0.420 | 9.890 | 8.128 | 0.456 | 0.081 | 0.039 | 0.085 | 0.061 | 6.119 | 0.051 |
| Netherlands | (Fl) | 18.36 | 3.503 | 3.087 | 0.894 | 0.371 | 928.6 | 1 | 3.897 | 91.84 | 75.48 | 4.237 | 0.753 | 0.366 | 0.790 | 0.565 | 56.82 | 0.469 |
| Norway | (NKr) | 47.11 | 8.991 | 7.923 | 2.293 | 0.953 | 2383 | 2.566 | 10 | 235.7 | 193.7 | 10.87 | 1.933 | 0.939 | 2.026 | 1.451 | 145.8 | 1.205 |
| Portugal | (Es) | 19.99 | 3.815 | 3.362 | 0.973 | 0.404 | 1011 | 1.089 | 4.243 | 100. | 82.19 | 4.614 | 0.820 | 0.398 | 0.860 | 0.616 | 61.87 | 0.511 |
| Spain | (Pta) | 24.32 | 4.641 | 4.090 | 1.184 | 0.492 | 1230 | 1.325 | 5.162 | 121.7 | 100. | 5.613 | 0.998 | 0.485 | 1.046 | 0.749 | 75.28 | 0.622 |
| Sweden | (SKr) | 43.32 | 8.269 | 7.287 | 2.109 | 0.877 | 2192 | 2.360 | 9.197 | 216.8 | 178.2 | 10 | 1.778 | 0.864 | 1.864 | 1.334 | 134.1 | 1.108 |
| Switzerland | (SFr) | 24.37 | 4.650 | 4.098 | 1.186 | 0.493 | 1233 | 1.327 | 5.172 | 121.9 | 100.2 | 5.624 | 1 | 0.486 | 1.048 | 0.750 | 75.42 | 0.623 |
| UK | (£) | 50.17 | 9.575 | 8.438 | 2.442 | 1.015 | 2538 | 2.733 | 10.65 | 251.0 | 206.3 | 11.58 | 2.059 | 1 | 2.158 | 1.545 | 155.3 | 1.283 |
| Canada | (C$) | 23.25 | 4.437 | 3.910 | 1.132 | 0.470 | 1176 | 1.266 | 4.935 | 116.3 | 95.60 | 5.366 | 0.954 | 0.463 | 1 | 0.716 | 71.96 | 0.595 |
| US | ($) | 32.47 | 6.197 | 5.461 | 1.581 | 0.657 | 1643 | 1.769 | 6.893 | 162.5 | 133.5 | 7.495 | 1.333 | 0.647 | 1.397 | 1 | 100.5 | 0.830 |
| Japan | (Y) | 32.31 | 6.165 | 5.433 | 1.572 | 0.654 | 1634 | 1.760 | 6.858 | 161.6 | 132.8 | 7.457 | 1.326 | 0.644 | 1.390 | 0.995 | 100. | 0.826 |
| Ecu | | 39.10 | 7.463 | 6.577 | 1.903 | 0.791 | 1978 | 2.130 | 8.301 | 195.6 | 160.8 | 9.026 | 1.605 | 0.779 | 1.682 | 1.204 | 121.0 | 1 |

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ STERLING FUTURES (IMM) £62,500 per £

## UK INTEREST RATES

### LONDON MONEY RATES

### EMS EUROPEAN CURRENCY UNIT RATES

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

### BASE LENDING RATES

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%



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# WORLD STOCK MARKETS

## EUROPE

AUSTRIA (Dec 22 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Dec 22 / Frs.)

[illegible]

DENMARK (Dec 22 / Kr)

[illegible]

FINLAND (Dec 22 / Mka)

[illegible]

FRANCE (Dec 22 / Frs.)

[illegible]

GERMANY (Dec 22 / Dm.)

[illegible]

ITALY (Dec 22 / Lire)

[illegible]

NETHERLANDS (Dec 22 / Fls.)

[illegible]

NORWAY (Dec 22 / Kroner)

[illegible]

SPAIN (Dec 22 / Pts.)

[illegible]

SWEDEN (Dec 22 / Kronor)

[illegible]

SWITZERLAND (Dec 22 / Frs.)

[illegible]

## PACIFIC

JAPAN (Dec 22 / Yen)

[illegible]

AUSTRALIA (Dec 22 / Aus$)

[illegible]

HONG KONG (Dec 22 / H.K.$)

[illegible]

MALAYSIA (Dec 22 / MYR)

[illegible]

SINGAPORE (Dec 22 / S$)

[illegible]

## NORTH AMERICA

CANADA

TORONTO (Dec 22 / Can $) 4 pm close

[illegible]

MONTREAL (Dec 22 / Can $) 4 pm close

[illegible]

## AFRICA

SOUTH AFRICA (Dec 22 / Rand)

[illegible]

*Prices supplied by Telekurs*

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.



■ TOKYO - MOST ACTIVE STOCKS: Thursday, December 22, 1994

| | Stocks Traded | Closing Prices | Change on day | | Stocks Traded | Closing Prices | Change on day |
|---|---|---|---|---|---|---|---|
| Sumitomo Metal | 7.8m | 320 | +5 | Isuzu Motors | 3.4m | 495 | +6 |
| Nippon Steel | 7.3m | 368 | +7 | Hitachi | 3.0m | 969 | +9 |
| Tokyo Gas | 4.7m | 434 | +6 | Nissan Motor | 2.8m | 812 | +2 |
| Fuji Heavy | 4.2m | 436 | +19 | Nomura Secs | 2.7m | 2070 | +5 |
| Shizuoka Bank | 3.6m | 1300 | +10 | Daiwa Secs | 2.7m | 1420 | +20 |

## INDICES

| | Dec 22 | Dec 21 | Dec 20 | 1994 High | | 1994 Low | |
|---|---|---|---|---|---|---|---|
| **Argentina** | | | | | | | |
| General (29/12/77) | (u) | 16428.46 | 17345.25 | 25470.48 | 16/2/94 | 16428.46 | 21/12/94 |
| **Australia** | | | | | | | |
| All Ordinaries(1/1/80) | 1908.2 | 1905.5 | 1898.6 | 2340.60 | 3/2/94 | 1842.00 | 12/12/94 |
| All Mining(1/1/80) | 925.9 | 928.5 | 915.3 | 1136.10 | 3/2/94 | 879.10 | 12/12/94 |
| **Austria** | | | | | | | |
| Credit Aktien(30/12/84) | 394.48 | 392.19 | 389.50 | 480.66 | 2/2/94 | 378.94 | 25/10/94 |
| Traded Index(2/1/91) | 1052.50 | 1045.19 | 1035.31 | 1222.25 | 1/2/94 | 1011.38 | 6/6/94 |
| **Belgium** | | | | | | | |
| BEL20 (1/1/91) | 1389.44 | 1387.23 | 1387.39 | 1542.85 | 9/2/94 | 1336.39 | 7/10/94 |
| **Brazil** | | | | | | | |
| Bovespa (29/12/83) | (u) | 44952.0 | 47891.0 | 55119.09 | 13/9/94 | 3800.90 | 3/1/94 |
| **Canada** | | | | | | | |
| Metals Mnls♦(1975) | (u) | 4142.16 | 4117.63 | 4276.02 | 20/10/94 | 3299.66 | 20/4/94 |
| Composite♦ (1975) | (u) | 4175.60 | 4154.10 | 4689.60 | 23/3/94 | 3859.96 | 24/6/94 |
| Portfolio§§ (4/1/83) | (u) | 2051.14 | 2036.63 | 2182.89 | 1/2/94 | 1886.48 | 28/6/94 |
| **Chile** | | | | | | | |
| IPGA Gen (31/12/80) | (u) | 5391.5 | 5449.3 | 5764.49 | 21/11/94 | 3881.29 | 4/4/94 |
| **Denmark** | | | | | | | |
| CopenhagenSE(3/1/83) | 342.44 | 337.51 | 335.68 | 415.78 | 2/2/94 | 335.68 | 20/12/94 |
| **Finland** | | | | | | | |
| HEX General(28/12/90) | 1794.7 | 1799.0 | 1814.3 | 1972.00 | 4/2/94 | 1691.10 | 3/1/94 |
| **France** | | | | | | | |
| SBF 250 (31/12/90) | 1277.15 | 1270.47 | 1282.42 | 1585.29 | 2/2/94 | 1227.88 | 25/10/94 |
| CAC 40(31/12/87) | 1952.05 | 1940.89 | 1924.72 | 2355.93 | 2/2/94 | 1824.42 | 25/10/94 |
| **Germany** | | | | | | | |
| FAZ Aktien(31/12/58) | 786.18 | 780.59 | 778.09 | 859.27 | 18/5/94 | 742.84 | 5/10/94 |
| Commerzbank(1/12/53) | 2246.5 | 2229.9 | 2222.5 | 2465.59 | 2/5/94 | 2116.39 | 5/10/94 |
| DAX (30/12/87)‡ | 2100.65 | 2086.66 | 2079.93 | 2271.11 | 16/5/94 | 1980.59 | 7/10/94 |
| **Greece** | | | | | | | |
| Athens SE(31/12/80) | 864.12 | 866.33 | 867.89 | 1194.58 | 18/1/94 | 804.37 | 22/11/94 |
| **Hong Kong** | | | | | | | |
| Hang Seng(31/7/64) | 8412.56 | 8331.56 | 8267.33 | 12201.09 | 4/1/94 | 7707.78 | 12/12/94 |
| **India** | | | | | | | |
| BSE Sens.(1979) | 3897.21 | 3912.63 | 3897.58 | 4628.57 | 12/9/94 | 3454.09 | 5/1/94 |
| **Indonesia** | | | | | | | |
| Jakarta Comp.(10/8/82) | 469.29 | 468.40 | 462.78 | 612.89 | 5/1/94 | 447.04 | 13/12/94 |
| **Ireland** | | | | | | | |
| ISEQ Overall(4/1/88) | 1837.74 | 1817.31 | 1794.67 | 2082.18 | 20/1/94 | 1694.14 | 1/7/94 |
| **Italy** | | | | | | | |
| Banca Comm Ital (1972) | 627.30 | 624.06 | 612.91 | 817.17 | 10/5/94 | 581.64 | 13/12/94 |
| MIB General (4/1/94) | 1017.0 | 1011.0 | 993.0 | 1318.00 | 10/5/94 | 942.00 | 13/12/94 |
| **Japan** | | | | | | | |
| Nikkei 225 (16/5/49) | 19533.53 | 19340.67 | 19406.98 | 21552.81 | 13/6/94 | 17369.74 | 4/1/94 |
| Nikkei 300 (1/10/82) | 284.70 | 280.86 | 281.76 | 311.71 | 13/6/94 | 268.22 | 4/1/94 |
| Topix (4/1/68) | 1545.02 | 1522.01 | 1524.90 | 1712.73 | 13/6/94 | 1446.97 | 4/1/94 |
| 2nd Section (4/1/68) | 2078.29 | 2085.01 | 2073.21 | 2342.85 | 5/7/94 | 1873.33 | 4/1/94 |
| **Malaysia** | | | | | | | |
| KLSE Comp.(4/4/86) | 994.34 | 982.17 | 966.19 | 1314.46 | 5/1/94 | 895.77 | 12/12/94 |
| **Mexico** | | | | | | | |
| IPC (Nov 1978) | (u) | 2203.87 | 2274.17 | 2881.17 | 8/2/94 | 1957.33 | 20/4/94 |
| **Netherland** | | | | | | | |
| CBS TtlRtnGen(End 83) | 443.0 | 441.8 | 439.1 | 454.90 | 31/1/94 | 406.39 | 21/6/94 |
| CBS All Shr (End 83) | 277.9 | 277.2 | 275.5 | 294.80 | 31/1/94 | 257.80 | 21/6/94 |
| **New Zealand** | | | | | | | |
| Cap. 40 (1/7/86) | 1911.05 | 1938.27 | 1930.50 | 2439.84 | 3/2/94 | 1878.09 | 12/12/94 |
| **Norway** | | | | | | | |
| Oslo SE(Ind)(2/1/83) | 1121.19 | 1100.34 | 1093.73 | 1211.10 | 28/2/94 | 980.81 | 21/6/94 |
| **Philippines** | | | | | | | |
| Manila Comp (2/1/85) | 2807.07 | 2790.59 | 2740.04 | 3308.37 | 4/1/94 | 2507.38 | 9/3/94 |
| **Portugal** | | | | | | | |
| BTA (1977) | 2895.5 | 2900.6 | 2915.2 | 3228.60 | 18/2/94 | 2812.88 | 20/6/94 |
| **Singapore** | | | | | | | |
| SES All-S'pore(2/4/75) | 535.17 | 528.61 | 526.59 | 641.91 | 4/1/94 | 508.84 | 13/12/94 |
| **South Africa** | | | | | | | |
| JSE Gold (28/9/78) | 1964.6▼ | 1971.5 | 1900.8 | 2594.00 | 7/9/94 | 1749.00 | 14/2/94 |
| JSE Ind. (28/9/78) | 6911.8▼ | 6921.3 | 6883.4 | 6984.10 | 22/11/94 | 5448.00 | 19/1/94 |
| **South Korea** | | | | | | | |
| KoreaCmpEx(4/1/80)** | 1040.20 | 1026.85 | 1023.99 | 1138.75 | 8/11/94 | 855.37 | 2/4/94 |
| **Spain** | | | | | | | |
| Madrid SE (30/12/85) | 291.20 | 291.59 | 293.46 | 358.31 | 31/1/94 | 288.85 | 28/10/94 |
| **Sweden** | | | | | | | |
| AffarsvarldnGen (1/2/37) | 1471.8 | 1462.1 | 1465.1 | 1603.98 | 31/1/94 | 1334.70 | 8/7/94 |
| **Switzerland** | | | | | | | |
| Swiss Bk Ind (31/12/58) | 1245.51 | 1240.43 | 1231.50 | 1423.34 | 31/1/94 | 1138.72 | 27/10/94 |
| SBC General (1/4/87) | 932.21 | 927.53 | 921.52 | 1083.29 | 31/1/94 | 876.57 | 27/10/94 |
| **Taiwan** | | | | | | | |
| WeightedPr.(30/6/66)** | 6965.86 | 7010.80 | 6925.28 | 7191.13 | 30/9/94 | 5194.63 | 19/3/94 |
| **Thailand** | | | | | | | |
| Bangkok SET (30/4/75) | 1384.30 | 1365.28 | 1352.68 | 1753.73 | 4/1/94 | 1196.59 | 4/4/94 |
| **Turkey** | | | | | | | |
| Istanbul Cmp.(Jan 1986) | 28203.4 | 28182.2 | 28303.9 | 29145.19 | 2/12/94 | 12980.70 | 24/3/94 |
| **WORLD** | | | | | | | |
| MS Capital Int (1/1/70)§ | 615.4* | 613.4 | 610.9 | 649.90 | 2/11/94 | 591.69 | 4/4/94 |
| **CROSS-BORDER** | | | | | | | |
| Eurotrack 100(26/10/90) | 1347.88 | 1340.23 | 1333.21 | 1540.19 | 31/1/94 | 1285.48 | 5/10/94 |
| Euro Top-100 (26/6/90) | 1191.08 | 1185.47 | 1177.80 | 1311.01 | 2/2/94 | 1136.48 | 5/10/94 |
| JCapelDrgns (31/12/88) | (u) | 305.34 | 302.07 | 395.19 | 5/1/94 | 285.49 | 12/12/94 |
| Barings Emerg.(7/1/92) | (u) | 155.65 | 165.89 | 191.79 | 28/9/94 | 141.55 | 21/4/94 |

■ CAC-40 STOCK INDEX FUTURES (MATIF)

| | Open | Sett Price | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Dec | 1962.0 | 1963.0 | +14.0 | 1968.0 | 1944.0 | 24,006 | 25,029 |
| Jan | 1961.5 | 1971.5 | +14.0 | 1976.0 | 1953.0 | 4,562 | 8,551 |
| Feb | - | 1982.0 | +14.0 | - | - | - | 1,068 |

Open interest figures for previous day.

** Sat Dec 17: Taiwan Weighted Price 6937.32; Korea Comp Ex 1036.54. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Dec 22 - 2102.25 +8.75.

## US INDICES

| Dow Jones | Dec 21 | Dec 20 | Dec 19 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Industrials | 3801.80 | 3767.15 | 3790.70 | 3978.36 (31/1/94) | 3593.35 (4/4/94) | 3978.36 (31/1/94) | 41.22 (2/7/32) |
| Home Bonds | 94.06 | 94.13 | 94.26 | 105.81 (21/1/94) | 93.61 (28/11/94) | 109.77 (18/10/93) | 54.99 (1/10/81) |
| Transport | 1461.00 | 1400.30 | 1409.85 | 1862.29 (2/2/94) | 1371.89 (13/12/94) | 1862.29 (2/2/94) | 12.32 (8/7/32) |
| Utilities | 181.72 | 181.91 | 181.52 | 227.06 (3/1/94) | 173.94 (22/11/94) | 256.46 (31/8/93) | 10.50 (8/4/32) |

DJ Ind. Day's high 3838.46 (3807.19) Low 3761.77 (3752.35) (Theoretical♦)
Day's high 3817.62 (3789.36) Low 3768.50 (3767.15) (Actual♦)

| Standard and Poors | Dec 21 | Dec 20 | Dec 19 | 1994 High | 1994 Low | Since compilation High | Since compilation Low |
|---|---|---|---|---|---|---|---|
| Composite ‡ | 459.61 | 457.10 | 457.91 | 482.00 (2/2/94) | 438.92 (4/4/94) | 482.00 (2/2/94) | 4.40 (1/6/32) |
| Industrials▼ | 546.49 | 542.64 | 543.31 | 583.18 (28/10/94) | 510.05 (21/4/94) | 583.18 (28/10/94) | 3.62 (21/6/32) |
| Financial | 41.98 | 41.94 | 42.10 | 46.94 (14/6/94) | 39.87 (22/11/94) | 48.40 (28/8/93) | 8.64 (1/10/74) |
| NYSE Comp. | 250.94 | 249.80 | 250.04 | 267.71 (2/2/94) | 243.14 (4/4/94) | 267.71 (2/2/94) | 4.46 (25/4/42) |
| Amex Mkt Val | 427.93 | 425.30 | 425.73 | 487.89 (2/2/94) | 420.23 (13/12/94) | 487.89 (2/2/94) | 29.31 (9/12/72) |
| NASDAQ Cmp | 737.12 | 728.61 | 727.91 | 803.93 (18/3/94) | 693.79 (24/6/94) | 803.93 (18/3/94) | 54.87 (31/10/72) |

■ RATIOS

| | Dec 16 | Dec 9 | Dec 2 | Year ago |
|---|---|---|---|---|
| Dow Jones Ind. Div. Yield | 2.80 | 2.88 | 2.84 | 2.67 |
| | Dec 14 | Dec 7 | Nov 30 | Year ago |
| S & P Ind. Div. yield | 2.47 | 2.48 | 2.46 | 2.45 |
| S & P Ind. P/E ratio | 18.40 | 18.29 | 18.42 | 27.16 |

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

| | Open | Latest | Change | High | Low | Est. vol. | Open int. |
|---|---|---|---|---|---|---|---|
| Mar | 464.90 | 464.30 | -0.60 | 465.30 | 464.05 | 56,243 | 204,062 |
| Jun | 469.00 | 468.55 | -0.70 | 469.40 | 468.35 | 144 | 6,955 |
| Sep | 474.20 | 473.60 | +0.05 | 474.30 | 473.60 | 43 | 2,157 |

Open interest figures are for previous day.

■ NEW YORK ACTIVE STOCKS

| Wednesday | Stocks traded | Close price | Change on day |
|---|---|---|---|
| Telefonos | 13,049,600 | 44½ | -1½ |
| Hanson | 8,888,600 | 18 | -¼ |
| RJR Nabisco | 4,161,300 | 5¾ | +⅛ |
| Grupo Tel | 3,179,800 | 35¼ | -⅛ |
| Merck | 3,128,100 | 38⅝ | +½ |
| Grupo Trib | 2,980,800 | 22¾ | -2⅝ |
| LSI Logic | 2,721,900 | 41⅛ | +⅛ |
| IBM | 2,691,400 | 73⅝ | +2⅞ |
| Compaq | 2,456,500 | 39¾ | +1½ |
| Fed Dept | 2,306,100 | 19⅛ | -⅛ |

■ TRADING ACTIVITY

● Volume (millions)

| | Dec 21 | Dec 20 | Dec 19 |
|---|---|---|---|
| New York SE | 378.797 | 325.517 | 271.701 |
| Amex | 20.152 | 18.483 | 18.171 |
| NASDAQ | 325.453 | 299.140 | 255.847 |
| **NYSE.** | | | |
| Issues Traded | 2,959 | 2,957 | 2,944 |
| Rises | 1,454 | 1,1354 | 971 |
| Falls | 880 | 1,123 | 1,298 |
| Unchanged | 625 | 699700 | 675 |
| New Highs | 45 | 27 | 25 |
| New Lows | 103 | 100 | 90 |

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

4 pm close December 22

# NEW YORK STOCK EXCHANGE COMPOSITE PRICES

| 1994 High | Low | Stock | Div | Yld. % | P/E | Sls 100s | High | Low | Close Quote | Ch'ge Prev. Close |
|---|---|---|---|---|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] | [illegible] |

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -



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# NYSE COMPOSITE PRICES

4 pm close December 22

Continued from previous page

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

# NASDAQ NATIONAL MARKET

4 pm close December 22

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| ABS Inds x | 0.20 | 12 | 78 | 11⅝ | 11½ | 11½ | -⅛ |
| ACC Corp | 0.12 | 11 | 197 | 15¾ | 14¾ | 14¾ | -½ |
| Acclaim E | | 14 | 12808 | 14⅜ | 13⅞ | 14$\frac{1}{16}$ | +$\frac{7}{16}$ |
| Acme Mtls | | 6 | 823 | 18 | 16½ | 17½ | +½ |
| Acxiom Cp | | 32 | 57 | 27½ | 27 | 27½ | |
| Adaptech | | 16 | 7037 | 21 | 20⅝ | 20$\frac{11}{16}$ | -$\frac{1}{16}$ |
| ADC Tele | | 29 | 452 | 43½ | 43 | 43⅝ | |
| Addington | | 6 | 234 | 9¾ | 9¼ | 9¾ | |
| Adia Serv | 0.16 | 16 | 54 | 35⅝ | 35⅝ | 35⅝ | -½ |
| Adobe Sys | 0.20 | 21 | 13115 | 30¼ | 29½ | 30 | +⅛ |
| Advance C | | 10 | 525 | 12⅞ | 12½ | 12⅞ | +⅛ |
| Adv Logic | | 129 | 165 | 4⅛ | 3¾ | 3⅞ | -⅛ |
| Adv Polym | | 6 | 481 | 4½ | 4⅝ | 4½ | +⅛ |
| AdvTchLab | | 24 | 216 | 18 | 17½ | 17½ | |
| Advanta | 0.27 | 11 | 488 | 28¼ | 27½ | 27$\frac{13}{16}$ | +$\frac{5}{16}$ |
| Affymax | | 15 | 878 | 18¾ | 17¾ | 18⅝ | +⅛ |
| AgricoEa | 0.10 | 32 | 825 | 11⅜ | 10¾ | 10$\frac{31}{32}$ | |
| AirExpr | 0.16 | 15 | 485 | u19½ | 18¼ | 19 | +¼ |
| Akzo ADR | 1.51 | 14 | 187 | 56 | 55⅝ | 55⅞ | +⅜ |
| AlaBld | 0.88 | 13 | 694 | 22 | 21½ | 21½ | -⅛ |
| Allegh &W | | 11 | 7 | 10⅝ | 10½ | 10⅝ | +⅝ |
| Allen Org | 0.52 | 12 | 58 | 36 | 35½ | 36 | |
| Allen Ph | | 3 | 1798 | 6⅝ | 6 | 6⅝ | +½ |
| AlldCapII x | 1.00 | 12 | 68 | 14½ | 13¾ | 13¾ | -½ |
| Alld Cap x | 0.80 | 11 | 95 | 13 | 12⅞ | 13 | +¼ |
| Aloette C | 0.32 | 9 | 29 | 1$\frac{11}{16}$ | 1$\frac{11}{16}$ | 1$\frac{11}{16}$ | +$\frac{3}{16}$ |
| Alta Gold | 0.06 | 60 | 194 | 1$\frac{5}{16}$ | 1$\frac{7}{32}$ | 1$\frac{7}{32}$ | -$\frac{1}{32}$ |
| Altera Co | | 26 | 3816 | 40 | 38⅞ | 38⅞ | -½ |
| Am Banker | 0.72 | 8 | 1535 | 24⅛ | 23¾ | 23¾ | -⅜ |

| Stock | Div. | P/E | Sls 100s | High | Low | Last | Chng |
|---|---|---|---|---|---|---|---|
| Dekalb Ge | 0.80 | 13 | 378 | 28¼ | 26½ | 27¾ | +½ |
| Delchamps | 0.44 | 11 | 5 | 15¾ | 15¾ | 15¾ | |
| Dell Comp | | 16 | 9046 | 40⅞ | 39⅛ | 40½ | +1½ |
| Delphy | 0.30 | 27 | 3756 | 31¼ | 30¼ | 31⅛ | +⅜ |
| Dep Gty x | 1.12 | 7 | 67 | 29¼ | 28¾ | 28¾ | -¼ |
| Devcon | 0.20 | 8 | 18 | 8¼ | 8 | 8⅛ | +⅛ |
| DH Tech | | 16 | 367 | 23¾ | 23 | 23¼ | -½ |
| Dibrell B | 0.80 | 17 | 254 | 20¼ | 19½ | 19½ | -1 |
| Digi Intl | | 14 | 456 | 17 | 16 | 16½ | +⅛ |
| Dig Micro | | 12 | 2540 | 19¾ | 19⅜ | 19¾ | +⅜ |
| Dig Sound | | 31 | 1509 | 2$\frac{11}{16}$ | 2$\frac{7}{16}$ | 2½ | -$\frac{1}{16}$ |
| Dig Syst | | 79 | 1566 | 12½ | 11⅞ | 11⅞ | +⅛ |
| Dionex Cp | | 15 | 51 | 37 | 37 | 37 | |
| Dixie Yrn | 0.20 | 32 | 559 | 7⅛ | 6⅞ | 6⅞ | -¼ |
| DNA Plant | 2.25 | 1 | 5527 | 2$\frac{11}{32}$ | 2$\frac{9}{16}$ | 2$\frac{11}{16}$ | +$\frac{1}{32}$ |
| Dollar Gn | 0.20 | 29 | 2035 | u30½ | 29¾ | 29¾ | |
| Dorch Htn | 0.66 | 16 | 113 | 12½ | d12 | 12 | |
| DracoEngy | | 6 | 64 | 7¼ | 6⅝ | 7¼ | +¼ |
| DressBarn | | 13 | 723 | 10 | 9½ | 9½ | -⅜ |
| Drey GD | 0.24 | 103 | 457 | 25 | 24¾ | 24¾ | -¼ |
| Drug Empo | 0.08 | 43 | 1163 | 5¼ | 4⅞ | 5¼ | +⅛ |
| DS Bancor | 1.09 | 11 | 22 | 23¼ | 22¾ | 22¾ | |
| Durlron | 0.42 | 17 | 1483 | 17¼ | 17 | 17 | -$\frac{1}{16}$ |
| Dynatech | | 12 | 388 | u32 | 31¼ | 31¾ | +⅜ |

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

# AMEX COMPOSITE PRICES

4 pm close December 22

FINANCIAL TIMES Friday December 23 1994

AMERICA

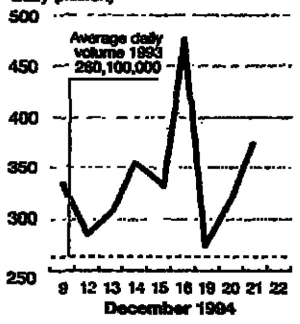
# Investors build on Wednesday rally in Dow

## Wall Street

In spite of further turmoil on Latin American debt and equity markets and declines in Treasury prices, leading US stocks firmed as investors looked to build on Wednesday's strong rally, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was up 13.79 at 3,815.59. The more broadly based Standard & Poor's 500 was only slightly higher at the halfway mark, up 0.68 at 460.29, while the American Stock Exchange composite was down 1.18 at 426.75 and the Nasdaq composite up 1.28 at 738.40. NYSE volume was 199m shares by 1 pm.

**NYSE volume**




The market opened in an upbeat mood following the previous day's 35-point gain, which pushed the Dow above the 3,800 level for the first time since mid-November.

The morning's main economic news – an upward revision in third quarter gross domestic product growth from 3.9 per cent to 4.0 per cent – had little impact on stocks. Although bond prices declined, this too had little effect on the market, which appeared to be in the middle of establishing a solid late December rally.

The positive mood, however, was dampened by events in Latin America, where most bond and stock markets were rocked by the news that the Mexican government had abandoned plans to try and keep the value of the peso within a particular trading range. From now on, it will let the currency float freely against the dollar.

The announcement prompted heavy selling of Mexican ADRs (American Depositary Receipts). Teléfonos de Mexico fell $3% to $41% in volume of 8.7m shares, the construction giant Grupo Tribasa by $2¼ to $20¼, the media conglomerate Grupo Televisa by $2% to $33% and the bank, Grupo Financiero, by $1% to $9¼. Selling spread to other Latin American ADRs, with Telecom Argentina falling $3% to $45%.

The Latin American turmoil upset US banks which do a lot of business in the region. Citicorp fell $1% to $41%, Bank of Boston $1¼ to $26¼ and JP Morgan $¼ to $55¼. In contrast, Bankers Trust rose $% to $56% after the bank agreed to pay relatively modest fines of $10m to government regulators to settle charges relating to its sale of derivatives to the Gibson Greetings company.

On the Nasdaq market, Borland International fell $% to $6% after the technology group said that revenues in the current quarter would be substantially lower than a year ago.

## Canada

Toronto was mixed, the TSE 300 composite index easing 7.06 to 4,168.56 in volume of 20.96m shares valued at C$247.50m.

The transportation sector lost 66.22 or 1.36 per cent at 4,815.00 as Laidlaw shares softened. Laidlaw "B" eased C$¼ to C$11¼, while the "A" shares declined C$1¼ to C$11¼.

# Volatility in Mexico

Mexican equities were extremely volatile as investors reacted to news that the government had decided to allow the peso to float freely against the dollar.

The IPC index opened with a gain of nearly 4 per cent before sliding into negative territory by mid-morning, and then staging a modest recovery by noon. In highly nervous trade the IPC was up 3.5 per cent at 2,279.85 by 1 pm.

Mr Alfredo Viegas, emerging market strategist at Salomon Brothers in New York, downgraded Mexico and recommended a switch into Brazil.

He said that while the government's devaluation of the peso and subsequent decision to float the currency was good news in the long term, "it comes at the wrong time and in an environment of confusion . . . Brazil, however, should continue to demonstrate positive momentum through early next year".

## Brazil

Equities in São Paulo plunged nearly 11 per cent at the opening as investors liquidated positions, fearing a fallout from the crisis in Mexico.

However, a recovery was evident by midsession, with the Bovespa index off 5.7 per cent at 42,371. The government was seen selling dollars to support the Real.

## Argentina

The Merval index fell 4 per cent in the first minutes of trading, and by midsession remained down by that level at 466.44. Local stocks tumbled after ADRs opened sharply lower on Wall Street.

# Johannesburg slips back

South African shares finished easier but the undertone was still firm, supported by a strong bullion price and gains on world markets.

Futures were higher at the opening following the rise on Wall Street and further US interest in South African ADRs, but shed gains later.

The overall index declined 5.8 to 5,798.7, the industrial index was 15.1 lower at 6,906.2 and the golds index moved 6.9 down to 1,964.6.

Anglos fell 50 cents to R93.75 and De Beers lost 25 cents at R93.75, both shedding mild gains on the day. Gencor rose 10 cents to R14.50.

EUROPE

# Paris gains ground as it nears end of account

Sandwiched between two sets of Wall Street gains, bourses mostly kept their nerve, *writes Our Markets Staff.*

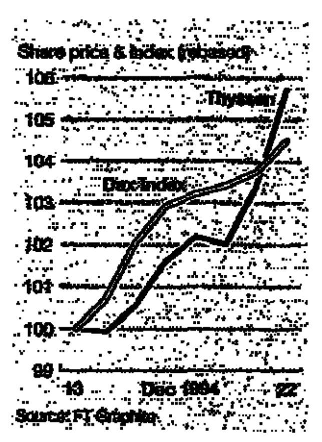
**PARIS** gained ground, with the CAC-40 index rising 11.16 to 1,952.05, after a high of 1,956 and a low of 1,935.

Turnover was heavy on the last day before the end of the December account at FFr5.7bn.

James Capel downgraded Lyonnaise des Eaux, off 90 centimes at FFr474.10, to hold. The broker said that it had altered its opinion following the company's recent announcement that it was seeking to expand its cable television activities, after it had failed to win the concession for the country's third mobile telephone licence.

Capel was worried over the group's strategic focus, and feared that it would "see further heavy expenditure offering inadequate returns," which could result in a deterioration of previously stable debt levels.

"The Lyonnaise share has outperformed by 3 per cent over the last twelve months," the broker concluded, "and it is now on a 30 per cent premium to the market in 1996. Although we expect 20 per cent per annum earnings growth in 1997 and 1998, we feel that the current rating reflects this."




Elsewhere, Accor rose FFr14 to FFr570 and Michelin continued to be well supported, gaining FFr3.10 to FFr199.10.

**FRANKFURT** switched its attention from chemicals to steels, engineers and retailers as the Dax index added to Wednesday's post bourse gains, closing the session 13.99 higher at 2,100.65, and the post bourse at 2,102.25. Turnover rose from DM4.4bn to DM5.2bn.

Bayer and Hoechst, in the spotlight on Wednesday, were less than a percentage point better. The hope that higher product prices would be established in 1995 moved to the metal-based industries, said Mr Hans-Peter Wodniok at Robert Fleming in Frankfurt: Linde was up DM10.50 at DM899, Preussag DM6 at DM448 and Thyssen DM5 at DM289.50.

Traders were probably more excited about Thyssen's plans for carving itself a 10 per cent slice of the German telecommunications industry, said Mr Wodniok, who rated this a long term prospect; he saw recovery prospects in retailing in the same light, and thought that the gains of DM9 to DM574 for Karstadt, and DM20.50, or 4.4 per cent to DM483 for Kaufhof were too early for an industry which may still have problems to face in 1995.

**MILAN** accepted the news of the resignation of Mr Silvio Berlusconi as prime minister with a slight improvement, while investors began to speculate what the next course of action would be. The Comit index was up 3.24 at 627.30.

Although the resignation had been expected all week, Mr Berlusconi's action opened up fresh political problems.

The Italian president, Mr Oscar Luigi Scalfaro, asked Mr Berlusconi to remain in office while he decided the next step in the constitutional process. Mr Berlusconi, who was due to make a televised address to the nation last night, has insisted that new elections take place; but the president could ask for the formation of a new government, possibly led by a non-political leader for which there is recent precedent.

With investors, brokers and analysts concentrating on the political arena, corporate activity was limited. Stet gained L70 to L4,630, while Telecom Italia slipped L80 to L4,095; Fiat lost 1.4 per cent to L5,890 and Olivetti 1 per cent to L1,953.

**ZURICH** followed Wall Street higher in late afternoon, the SMI index closing 13.70 higher at 2,649.8. The higher dollar promoted stocks of companies with a substantial proportion of their sales denominated in the US currency.

Alusuisse rose SFr8 to SFr655 as it followed the recent rise in US aluminium stocks, and denied rumours that it might sell its own aluminium business.

Ciba-Geigy put on SFr17 to SFr795; the shares broke through a resistance level as Ciba bought Rhône Poulenc Rorer's proprietary pharmaceutical business in the US and Canada.

Elsewhere, Union Bank of Switzerland led the advance in the banking sector, advancing SFr18 to SFr1,095 amid reports of year-end window dressing. However, Holderbank, the building group, led active stocks as it fell SFr14 to SFr1,042.

**AMSTERDAM** was firmer in subdued trading. The AEX index put on 2.00 to 415.35.

While activity was generally patchy, interest continued in KPN and Philips, whose shares were the most heavily traded.

The telecoms group lost 80 cents to Fl 58.40 as some profits were booked after recent strength. Philips added 30 cents to Fl 52.50 on news that its lighting joint venture with Siemens of Germany had been cleared by the European Commission.

Further strength was seen in Unilever, up Fl 2.10 to Fl 204.30 and Akzo Nobel, up Fl 2.60 at Fl 197.70.

**MADRID** fell yet again, with Telefónica prominent among the losers. The general index closed 0.39 lower at 291.20 with Telefónica down Pta40, or 2.5 per cent at Pta1,535 in 2.3m shares.

**COPENHAGEN** heard an analysts' poll say that the KFX index would rise by some 20 per cent next year; the same poll, noted Reuter, predicted a 15 per cent gain for 1994 but, by yesterday morning, the market was 14 per cent down on the year so far.

Yesterday the KFX index bridged some of the gap with a rise of 1.70, or 1.8 per cent to 94.12. Novo Nordisk rose DKr23, or 4.2 per cent to stock on plans to reorganise and streamline the pharmaceutical company.

**FT-SE Actuaries Share Indices** THE EUROPEAN SERIES

| Dec 22 Hourly changes | Open | 10.30 | 11.00 | 12.00 | 13.00 | 14.00 | 15.00 | Close |
|---|---|---|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1345.86 | 1346.86 | 1345.51 | 1346.36 | 1346.52 | 1347.34 | 1347.65 | 1347.88 |
| FT-SE Eurotrack 200 | 1400.78 | 1403.20 | 1402.96 | 1403.45 | 1404.20 | 1403.80 | 1405.20 | 1403.75 |

| | Dec 21 | Dec 20 | Dec 19 | Dec 16 | Dec 15 |
|---|---|---|---|---|---|
| FT-SE Eurotrack 100 | 1340.23 | 1333.21 | 1332.17 | 1329.65 | 1326.74 |
| FT-SE Eurotrack 200 | 1395.60 | 1389.10 | 1388.91 | 1378.77 | 1372.88 |

Base 1000 (26/10/90); Highday: 100 - 1348.57; 200 - 1405.85 Lowday: 100 - 1345.54 200 - 1400.78 † Partial

*Written and edited by William Cochrane and John Pitt*

ASIA PACIFIC

# Seoul anticipates easing of securities regulations

## Tokyo

Heavy arbitrage buying spurred by a stronger futures market boosted share prices, and the Nikkei index closed 1.5 per cent up, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 index added 292.86 to close at the day's high of 19,633.53 after opening at a low of 19,400.58. Arbitrage linked buying supported the index, absorbing selling by institutional investors in the afternoon. Corporate profit-taking and position covering dampened buying around the 19,500 level, but continued arbitrage purchases supported the index, which closed at its highest since November 4.

Volume rose to 370m shares from Wednesday's 282m. The Topix index of all first section stocks gained 23.01 or 1.5 per cent at 1,545.02, while the Nikkei 300 advanced 3.84 or 1.4 per cent to 284.70. Rises led declines by 1,011 to 107, with 83 issues unchanged.

Traders said that arbitrage buying both on the Nikkei 225 and Topix futures were being executed by a leading US investment house. In London the ISE/Nikkei 50 index lost 1.23 at 1,281.60.

Bank stocks were higher on arbitrage buying. Dai-ichi Kangyo Bank rose Y40 to Y1,910 and Sakura Bank moved up Y10 to Y1,350. While the banking industry has been previously weak on fears of bad loans, some analysts predicted that they could perform more strongly next year on a rise in index-linked purchases. "Stock picking is going to be harder than ever and many domestic institutions are likely to purchase the index," said one Japanese broker.

The rise in trading volumes supported brokerage stocks. Nomura Securities rose Y50 to Y2,070 and Nikko Securities added Y20 at Y1,080. Smaller houses were also stronger, with Sanyo Securities climbing Y25 to Y510.

High-technology issues were bought as investors were encouraged by a stabilising currency market. Hitachi rose Y9 to Y969 on active buying by dealers and financial institutions, while Toshiba appreciated Y5 to Y704.

Some drug companies, on the other hand, lost ground on profit-taking. Yamanouchi Pharmaceutical and Daiichi Pharmaceutical each fell Y20 to Y2,050 and Y1,550.

Japan Tobacco rose Y38,000 or 4.1 per cent to Y974,000, advancing for the fourth day and bringing its gain since last Friday to 7.3 per cent.

In Osaka, the OSE average rose 231.83 to 21,327.86 in volume of 91.5m shares.

## Roundup

On balance, share prices in the region ended on the plus side, some of them less firmly than they started.

**SEOUL** climbed, anticipating the Finance Ministry's post-bourse announcement of measures to ease securities rules in capital markets, and the stock exchange's widening of the permissible daily band in which share prices could move, from 4.6 to 6 per cent.

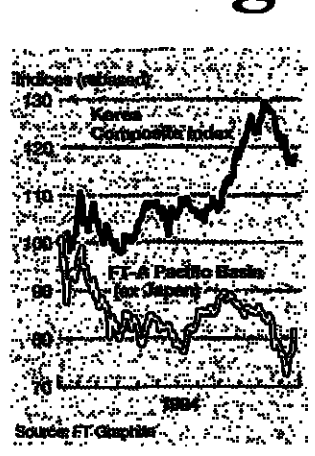
The composite index closed 13.34 higher at 1,040.20 as volume rose from 40.93m shares to 45.47m. The stock exchange also said it would scrap an obligation for institutions to deposit 20 per cent of the total cost when placing buy orders, effective from January 3.

**MANILA** extended its advance to a sixth consecutive day, but profit-taking pulled back substantial early gains that followed New York's good overnight recovery. The composite index ended at 2,807.07, up 16.48, after hitting 2,834.75 at midsession.

**HONG KONG**, too, was trimmed back by profit-taking, the Hang Seng index closing 81.10 higher at 8,412.66 after 8,460.35. Analysts said that investors, widely expecting another US rate increase in January, were unwilling to commit themselves beyond the short term.

Mainland China stocks outperformed the market, the H share index rising 17.87 or 1.7 per cent to 1,087.56.

**KUALA LUMPUR**'s composite index topped 1,000, with an intraday high of 1,003.61, before profit-taking brought it back to close 12.17 or 1.2 per cent up on balance at 994.34. Brokers, however, thought that window dressing might allow the market to test the 1,000 level before the year ended.




**SINGAPORE** saw the Straits Times Industrial index close 2.11 higher at 2,219.59 after early buying by Japanese investment trusts of blue chips took it to an intraday peak of 2,242.57.

**JAKARTA** gained ground mainly on local buying as the JKSE index moved ahead 2.88 to 469.29. However, the market newcomer, Davamas Abadi, ended at Rp3,000 after Rp3,350, trading in more than 2m shares, compared with the IPO price of Rp3,300.

**KARACHI** reported fresh buying, prompted by the arrival of Pakistan's president, Mr Farooq Leghari, and its prime minister, Mrs Benazir Bhutto, in the violence-plagued city.

The KSE 100 index rose 27.62 or 1.4 per cent to 1,983.72. Dealers also said that reports of progress in peace talks between the government and the ethnic Mohajir National Movement had boosted investor confidence.

**WELLINGTON** closed 1.4 per cent down in spite of Wall Street, and a Standard & Poor's upgrade to AA of New Zealand's credit rating.

The NZSE-40 index fell 27.22 to 1,911.05 in turnover of NZ$55.3m; dealers saying that a good deal of foreign selling had still been overhanging the market.

Fletcher Challenge led the market down as brokers said a threatened strike in its Canadian operations could hit FCL earnings by NZ$10m a week. They added that there was the potential for a lengthy dispute. The shares ended 18 cents down at NZ$3.70.

**SYDNEY** found enthusiasm for Wall Street's lead abating in afternoon trading, and the All Ordinaries index finished just 2.7 higher at 1,908.2 in turnover of A$397.1m.

A strong performance from the market leader, BHP, underpinned the market.

The stock continued to find buying support following the release of strong half-year results last Friday, and finished 12 cents higher at A$19.60.

**COLOMBO** overcame year-end profit-taking.

Institutional investors booked capital profits but the CSE index closed 9.13 points firmer at 979.84.

**TAIPEI** ended below the 7,000-point level following active trade on profit-taking in textiles, the weighted index closing 44.92 lower at 6,965.68, after a day's high of 7,086.23, in turnover of T$114bn.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

| NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock | WEDNESDAY DECEMBER 21 1994 US Dollar Index | Day's Change % | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | Local % chg on day | Gross Div. Yield | TUESDAY DECEMBER 20 1994 US Dollar Index | Pound Sterling Index | Yen Index | DM Index | Local Currency Index | DOLLAR INDEX 52 week High | 52 week Low | Year ago (approx) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia (69) | 171.88 | 0.5 | 163.18 | 108.71 | 140.16 | 147.28 | 0.6 | 3.91 | 170.79 | 162.28 | 108.28 | 139.58 | 146.45 | 189.15 | 157.28 | 158.46 |
| Austria (16) | 178.35 | 0.5 | 169.52 | 112.93 | 145.60 | 145.62 | 0.5 | 1.12 | 177.40 | 168.57 | 112.48 | 144.99 | 144.97 | 198.89 | 167.46 | 179.30 |
| Belgium (35) | 165.65 | 0.3 | 157.45 | 104.89 | 135.23 | 131.83 | 0.1 | 4.19 | 165.22 | 156.99 | 104.75 | 135.03 | 131.68 | 177.04 | 160.76 | 161.58 |
| Brazil (28) | 165.14 | -5.9 | 156.96 | 104.56 | 134.81 | 259.13 | -5.8 | 0.80 | 175.42 | 166.68 | 111.21 | 143.36 | 275.10 | - | - | - |
| Canada (103) | 129.21 | 0.7 | 122.82 | 81.82 | 105.49 | 130.38 | 0.7 | 2.65 | 128.31 | 121.92 | 81.35 | 104.86 | 129.49 | 145.31 | 120.54 | 131.26 |
| Denmark (33) | 239.33 | 0.8 | 227.48 | 151.54 | 195.38 | 200.68 | 0.7 | 1.48 | 237.34 | 225.52 | 150.48 | 193.97 | 199.23 | 276.79 | 236.61 | 237.63 |
| Finland (24) | 177.92 | 0.1 | 169.11 | 112.66 | 145.25 | 180.28 | -0.7 | 0.78 | 177.70 | 168.84 | 112.66 | 145.22 | 181.54 | 201.41 | 122.21 | 122.21 |
| France (102) | 164.41 | 0.6 | 156.27 | 104.10 | 134.22 | 139.89 | 0.8 | 3.06 | 163.11 | 154.98 | 103.41 | 133.30 | 138.76 | 185.37 | 159.34 | 174.17 |
| Germany (58) | 140.14 | 0.4 | 133.20 | 88.73 | 114.40 | 114.40 | 0.2 | 1.82 | 139.64 | 132.68 | 88.53 | 114.12 | 114.12 | 150.40 | 128.37 | 137.97 |
| Hong Kong (56) | 332.17 | 0.5 | 315.73 | 210.33 | 271.18 | 329.95 | 0.5 | 3.76 | 330.57 | 314.11 | 209.59 | 270.17 | 328.39 | 508.68 | 305.99 | 432.20 |
| Ireland (14) | 200.77 | 1.5 | 190.83 | 127.12 | 163.90 | 183.93 | 1.6 | 3.48 | 197.78 | 187.91 | 125.38 | 161.62 | 180.98 | 218.80 | 177.56 | 184.20 |
| Italy (59) | 73.59 | 2.7 | 69.95 | 46.60 | 60.08 | 90.17 | 2.1 | 1.75 | 71.69 | 68.12 | 45.45 | 58.59 | 88.29 | 97.78 | 65.87 | 70.11 |
| Japan (468) | 153.07 | -0.1 | 145.49 | 96.92 | 124.96 | 96.92 | -0.2 | 0.79 | 153.25 | 145.62 | 97.16 | 125.25 | 97.16 | 170.10 | 127.18 | 131.25 |
| Malaysia (97) | 478.69 | 1.2 | 454.99 | 303.10 | 390.80 | 472.05 | 1.3 | 1.78 | 472.89 | 449.34 | 299.82 | 386.48 | 465.84 | 621.63 | 430.71 | 537.92 |
| Mexico (18) | 1575.97 | -5.5 | 1497.93 | 997.88 | 1286.59 | 6869.94 | -3.0 | 1.49 | 1667.76 | 1584.68 | 1057.37 | 1362.99 | 7084.05 | 2647.06 | 1575.97 | 2287.45 |
| Netherland (19) | 213.73 | 0.9 | 203.15 | 135.33 | 174.49 | 171.39 | 0.7 | 3.37 | 211.88 | 201.33 | 134.34 | 173.17 | 170.25 | 223.30 | 191.28 | 198.00 |
| New Zealand (14) | 71.92 | 0.4 | 68.36 | 45.54 | 58.72 | 59.81 | 0.4 | 4.89 | 71.64 | 68.07 | 45.42 | 58.55 | 59.56 | 77.59 | 62.05 | 62.68 |
| Norway (23) | 203.16 | 0.3 | 193.10 | 128.64 | 165.85 | 189.04 | 0.2 | 1.76 | 202.55 | 192.46 | 128.42 | 165.54 | 188.71 | 211.74 | 172.48 | 172.48 |
| Singapore (44) | 373.57 | 1.7 | 355.07 | 236.54 | 304.96 | 251.98 | 1.8 | 1.70 | 367.32 | 349.03 | 232.89 | 300.21 | 247.65 | 401.38 | 294.66 | 349.56 |
| South Africa (59) | 335.83 | 0.5 | 319.20 | 212.64 | 274.16 | 296.91 | 1.1 | 2.22 | 334.28 | 317.63 | 211.93 | 273.19 | 293.71 | 342.00 | 205.55 | 242.10 |
| Spain (38) | 133.90 | -0.9 | 127.27 | 84.78 | 109.31 | 134.77 | -0.6 | 4.24 | 135.18 | 128.45 | 85.71 | 110.48 | 135.60 | 155.79 | 132.91 | 140.68 |
| Sweden (36) | 229.00 | 0.3 | 217.66 | 145.00 | 186.95 | 253.80 | -0.1 | 1.58 | 228.23 | 216.87 | 144.70 | 186.53 | 254.09 | 242.81 | 190.89 | 190.89 |
| Switzerland (47) | 162.80 | 0.9 | 154.74 | 103.08 | 132.90 | 133.83 | 0.8 | 1.82 | 161.37 | 153.34 | 102.31 | 131.88 | 133.02 | 176.56 | 149.91 | 161.39 |
| Thailand (46) | 159.30 | 1.9 | 151.41 | 100.87 | 130.05 | 155.27 | 1.9 | 2.39 | 156.27 | 148.48 | 99.08 | 127.71 | 152.32 | - | - | - |
| United Kingdom (204) | 194.38 | 0.3 | 184.76 | 123.08 | 158.69 | 184.76 | 0.4 | 4.18 | 193.71 | 184.06 | 122.81 | 158.31 | 184.06 | 214.96 | 181.11 | 201.73 |
| USA (514) | 188.06 | 0.5 | 178.75 | 119.08 | 153.53 | 188.06 | 0.5 | 2.94 | 187.05 | 177.74 | 118.59 | 152.87 | 187.05 | 196.04 | 178.95 | 189.51 |
| Americas (663) | 174.77 | 0.3 | 166.12 | 110.66 | 142.68 | 145.61 | 0.4 | 2.88 | 174.17 | 165.49 | 110.43 | 142.34 | 145.25 | - | - | - |
| Europe (705) | 167.49 | 0.6 | 159.19 | 106.05 | 136.73 | 150.71 | 0.5 | 3.11 | 166.53 | 158.23 | 105.58 | 136.10 | 149.97 | 178.58 | 160.59 | 167.80 |
| Nordic (116) | 218.54 | 0.4 | 207.71 | 138.37 | 178.41 | 207.22 | 0.0 | 1.43 | 217.66 | 206.82 | 138.00 | 177.89 | 207.26 | 233.91 | 184.35 | 184.35 |
| Pacific Basin (793) | 161.05 | 0.0 | 153.08 | 101.98 | 131.48 | 106.16 | -0.1 | 1.17 | 161.00 | 152.98 | 102.08 | 131.56 | 106.25 | 176.86 | 141.04 | 143.63 |
| Euro-Pacific (1501) | 163.66 | 0.3 | 155.55 | 103.62 | 133.60 | 123.74 | 0.2 | 2.01 | 163.21 | 155.08 | 103.48 | 133.39 | 123.53 | 175.14 | 153.52 | 153.52 |
| North America (617) | 184.41 | 0.6 | 175.28 | 116.77 | 150.55 | 184.09 | 0.5 | 2.83 | 183.41 | 174.27 | 116.28 | 149.89 | 183.09 | 192.73 | 176.67 | 186.90 |
| Europe Ex. UK (504) | 149.47 | 0.7 | 142.07 | 94.64 | 122.02 | 130.48 | 0.6 | 2.48 | 148.42 | 141.02 | 94.10 | 121.30 | 129.77 | 158.12 | 144.12 | 148.43 |
| Pacific Ex. Japan (325) | 239.91 | 0.8 | 228.03 | 151.91 | 195.86 | 210.20 | 0.9 | 3.17 | 237.93 | 226.08 | 150.85 | 194.46 | 208.38 | 286.21 | 224.17 | 261.56 |
| World Ex. US (1709) | 165.12 | 0.2 | 156.94 | 104.55 | 134.80 | 127.25 | 0.1 | 2.02 | 164.84 | 156.63 | 104.51 | 134.72 | 127.10 | 176.66 | 155.28 | 155.28 |
| World Ex. UK (2019) | 169.50 | 0.3 | 161.10 | 107.32 | 138.37 | 142.04 | 0.2 | 2.16 | 169.00 | 160.58 | 107.15 | 138.12 | 141.68 | 178.59 | 162.28 | 162.28 |
| World Ex. Japan (1755) | 183.44 | 0.5 | 174.36 | 116.15 | 149.76 | 174.84 | 0.5 | 2.97 | 182.59 | 173.49 | 115.76 | 149.22 | 174.01 | 195.20 | 176.34 | 185.38 |
| The World Index (2223) | 171.68 | 0.3 | 163.19 | 108.71 | 140.17 | 145.90 | 0.3 | 2.35 | 171.18 | 162.65 | 108.53 | 139.90 | 145.51 | 180.60 | 165.72 | 168.72 |


Constituent change with effect 29/12/94: Deletion: Borden (USA). Please Note: Following the FT-AWI Policy Committee meeting, a new list of constituents for the FT-AWI Large and Medium-Small Cap indices ... Ltd. and Goldman, Sachs & Co.. Latest prices were unavailable for this edition.